

# Safeguarding your health and wellbeing

The NMC's annual report and accounts  
for 2009-2010





## **Nursing and Midwifery Council**

We are the nursing and midwifery regulator for England, Scotland, Wales, Northern Ireland and the Islands.

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**Our annual report and accounts  
for 2009–2010**

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## Chair's foreword

I have been Chair of the NMC since 1 January 2009 when the NMC had a new Council which aimed to work as a board-like structure in accordance with the Government White Paper, *Trust Assurance and Safety – the regulation of healthcare professionals in the 21st century*. This has been an exciting year for the new Council and we have achieved a great deal.

Throughout the course of the year we have:

- worked with key stakeholders in all four UK countries to protect the public across the UK by ensuring that standards for nursing and midwifery are applied consistently
- improved our fitness to practise procedures
- achieved a five-year financial recovery plan
- developed a strategic vision and corporate plan to define our future work.

Together with my colleagues on the Council and within the NMC, I am committed to building on this work and ensuring that the NMC strives for excellence in the future.



A handwritten signature in black ink that reads "A. J. Hazell". The signature is written in a cursive style.

**Tony Hazell**  
Chair

## Introduction by the Chief Executive and Registrar

This report details the NMC's achievements over the year against the business plan for 2009–2010. It highlights what has been an extremely busy year which has seen the embedding of a new approach to our governance and important work with staff to achieve a culture of excellence in everything that we do.

In the coming year, we will build on these firm foundations and undertake the further work necessary to ensure that our internal structures continue to be fit for purpose and enable us to meet our charitable objectives.

Public protection will continue to be at the centre of our future activities and we will ensure that, as the largest healthcare regulator in the United Kingdom, we will deliver excellent service both to the nurses and midwives that we regulate and demonstrate that we are a regulator that the public can have full confidence in.

I would like to record my personal thanks to the directors and staff of the NMC for their hard work and for the engagement of our key professional and patient stakeholders.



A handwritten signature in blue ink, consisting of stylized cursive letters.

**Dickon Weir-Hughes**  
Chief Executive and Registrar

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## Review of 2009–2010

### Overview

The Nursing and Midwifery Council (NMC) was established under the Nursing and Midwifery Order 2001 (known as “the order”), and has been fully operational since April 2002. We are the statutory regulator for all of the United Kingdom’s nurses and midwives, and registered as a charity in England and Wales, and in Scotland.

Our charitable objectives are to safeguard the public by ensuring nurses and midwives consistently deliver high-quality healthcare. In accordance with this, our mission is to safeguard the health and wellbeing of the public, which we do by maintaining a register of nurses and midwives, setting standards for education and practice, and giving guidance and advice to the professions. We aim to inspire confidence by ensuring that the nurses and midwives on our register are fit to practise and by dealing swiftly and fairly with those who are not. Our values underpin everything we do. We are committed to being accountable, fair, professional, progressive and inclusive.

### Delivery against our business plan for 2009–2010

The aims of the NMC are set out in the order. This states that the NMC must set standards of education, training, conduct and performance for nurses and midwives and ensure that these standards are maintained and the health and wellbeing of the public is safeguarded. The pursuit of these aims delivers public benefit, according to Charity Commission principles.

### Three-year plan

To meet these aims, we set out in 2009 a three-year business plan. Based on five key areas, this plan is shaping our work until the planned review of healthcare regulation in 2011.

Our core work is **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 developing **standards** and engaging with **stakeholders**. None of this work is possible without high-quality **staff** and the necessary supporting **systems**.

These then have been our five key areas of work in 2009–2010 and it is against these five areas that we now report on progress made.

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## Safeguarding

### Objectives

- We will maintain our register of nurses and midwives who are fit to practise, so that they can work to provide high quality healthcare.
- We will safeguard the public's health and wellbeing by taking swift and fair action to deal with individuals whose fitness to practise is questioned.
- To monitor and enhance the quality of education programmes for nurses and midwives.
- We will assure safety of women and families using maternity services through monitoring the statutory supervision of midwives.

### Achievements and performance

The NMC's Registrations department received approximately 28,000 applications for initial registration. Registrants renew their registration annually. The volumes of renewals and retentions remain consistent at around 220,000 and 440,000 respectively.

Confidence in the integrity of the register is vital. We continue to identify and investigate fraudulent applications to the register. We have improved efficiencies in this area using the EU Internal Market Information (IMI) system, which allows authorised users to communicate electronically with any other EU regulator to share information regarding an applicant's suitability for registration. In 2009 we used the IMI system to resolve more than 50 queries regarding EU applicants. This significantly reduced postal and administrative delays and improved safeguarding.

Six supervisor of midwives roadshows were held in cities across the UK, with the theme: Improving the consistency of supervision.

We collaborated with the Midwives Information and Resource Services (MIDIRS) journal to help raise women's awareness of the supervision of midwives, and we produced and distributed widely a leaflet on the issue targeted at women and families.

In response to public and system regulator concerns about poor standards at Basildon and Thurrock NHS University Hospitals Foundation Trust, we conducted for the first time an NMC review jointly with our Quality Assurance assessors Mott MacDonald. This resulted in a published report with recommendations for improvements within the Trust and in the local supervising authority. Our findings were also shared with systems regulators, the Care Quality Commission and Monitor.

Our Midwifery department completed six reviews of the local supervising authorities (LSAs) during 2009–2010, and in January we published the third report on *Supervision, support and safety: Analysis of the 2008–2009 LSA reports to the NMC*.

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## **Fitness to Practise**

The total number of cases considered by panels of the Preliminary Proceedings Committee and Investigating Committee in the year was 2,006 (2008–2009: 2,060). 38 percent of cases were closed because the panels found no case to answer (2008–2009: 35 percent). The Investigating Committee referred 351 cases (2008–2009: 352) to the Conduct and Competence Committee and 68 (2008–2009: 65) to the Health Committee for hearings. The remaining cases are subject to ongoing investigation.

The Health Committee sat 95 times during the year (2008–2009: 41). The total number of cases considered was 235 (2008–2009: 149). Panels of the Conduct and Competence Committee sat for 1,022 days (2008–2009: 1,241) during the year. The number of cases heard was 690 (2008–2009: 591) and number of cases completed was 503 (2008–2009: 446).

There were 1,116 interim order considerations under the new Fitness to Practise (FtP) rules that came into force in 2004, both new cases and reviews (2008–2009: 833). Of these, the Investigating Committee considered 967 (2008–2009: 589), the Conduct and Competence Committee considered 31 (2008–2009: 163) and the Health Committee considered 118 (2008–2009: 81).

There were six applications for restoration to the register during the last year (2008–2009: 12). Four were successful.

We have been tackling the historic backlog of cases and following a review of current and future caseloads, we increased the number of case officers by a third.

A full report on our Fitness to Practise activity in the last year is available on the NMC website and will be submitted to the Privy Council at the same time as this report.

We identified a need to increase the number of panellists for both the Investigating and Health committees. This required a change in the rules, and so we issued the necessary consultation, by email, in June 2009, the closing date being 17 July 2009. This led to the recruitment of 181 new panel members.

In December 2009 we launched the electronic case management system that we now use to manage our cases. This system stores all information relating to cases, and prompts users to carry out actions in accordance with our service standards and timescales. To do this, we have reviewed every one of our processes and letters, which has been a major task. Staff have been involved in specifying and testing the system, and training other users. We are now starting to benefit from more effective and efficient case progression, and better quality outputs. We are also using the data to report on progress and to manage our activity. As with any complex computer system, there will be ongoing refinements, either as our processes change to match legislation, or as we develop more efficient ways of progressing cases. The case management system can accommodate such changes, and we have a programme of quarterly software updates with training to support this.

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Work continues on cultural changes and the improvement of case progression systems and procedures, quality improvement, customer service and sustainable overall improvement. A number of measures have been taken to improve staff performance and development including a new induction programme for new staff and increased mechanisms for communicating with staff and involving them in service improvement.

Also this year, we conducted our first in-depth, qualitative research with participants in the FtP process. Telephone interviews with 21 referrers, witnesses and registrants focused on their information and communication needs. The findings from the research have helped us to produce new information for employers and witnesses, which we will publish shortly, as well as information for nurses and midwives, which we will be publishing next year.

## Standards

### Objectives

- We will develop policies and set clear standards for education and practice so that the public can be confident of receiving safe and effective care.
- We will review and update standards for local supervising authorities and supervision of midwives.
- We will keep our standards and advice under regular review, ensuring that they reflect contemporary practice and the best available evidence.

### Achievements and performance

We are revising our standards for pre-registration nursing education. This has involved extensive engagement with stakeholders including professional bodies, education and service providers and patient groups. We have organised and spoken at numerous events and involved the media in our work. In January 2010, we instigated an online consultation on the future of nursing education. The survey will be completed in April 2010 and we will then analyse the findings to make informed decisions about our standards. We will publish the final standards in autumn 2010.

We continue to work on revalidation. We have commissioned some research to help us understand any risks that we need to manage. Once this work is completed, we will build a framework that demonstrates that individual nurses and midwives continue to be fit for practice. Revalidation will confirm that nurses and midwives are up to date and competent in whatever capacity they are working.

We have also commissioned research into the issues surrounding the regulation of healthcare support workers. This has been supported across the UK and we will be exploring the benefits to public protection of regulating this large group of workers. We are also looking at the potential benefits of regulating advanced practice. This is a complex area but is worthy of investigation to determine whether public protection may be enhanced. In the absence of regulation of advanced roles, there is huge variation in how people are prepared for them, leading to inconsistencies in practice, and this might justify intervention by the NMC.

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Standards and advice are being kept under regular review and there is a project underway to develop guidance for nurses and midwives in raising and escalating concerns. The three-month consultation period finishes on 6 April 2010.

We initiated a review of *Midwives rules and standards* and completed preparatory work for the consultation, to be launched in April 2010.

Good record keeping is an integral part of nursing and midwifery practice, and is essential to the provision of safe and effective care. In the last year we published *Record keeping: Guidance for nurses and midwives*.

We published *Guidance on professional conduct for nursing and midwifery students*, along with a student magazine, *NMC&YOU*, distributed to students, lecturers and mentors via the 89 approved educational institutions. Launch of the guidance took place in Liverpool in October at a conference attended by 400 students. Council had agreed the guidance on 2 July 2009.

*New Standards for pre-registration midwifery education* came into effect in September 2009.

Quality monitoring of NMC-approved nursing and midwifery programmes is an ongoing process which is reported on an annual basis. We assess the performance of programme providers in higher education institutions and their practice partners against five key risk areas: resources, admissions and progression, practice learning, fitness for practice and quality assurance. So far this academic year we have seen a reduction in the number of unsatisfactory grades and an increase in those recognised as 'good'. Where 'satisfactory' grades have been awarded (indicating that although standards are being met, there are specific weaknesses in the risk control processes), the main areas of concern are the accuracy of mentor registers and the updating of mentors and practice teachers. We have awarded outstanding grades where excellent innovative work is recognised as being worthy of dissemination. These providers will be encouraged to present their work at our annual quality assurance conference.

## Stakeholders

### Objectives

- We will put the public's interests and needs first in all our communications and stakeholder relations.
- We will build strong and effective partnerships with our stakeholders, ensuring they are engaged in helping us develop nursing and midwifery standards.
- We will build and continually develop our communications channels so that people, and in particular vulnerable groups, are well informed about nursing and midwifery standards.

### Achievements and performance

We have been developing a new public-facing website and content management system. The website will have clear signposting, accessible and appropriate content, clear language and a fit for purpose search engine. It is scheduled to go live by end of April 2010.

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We have been developing our relationships with policy makers, patients groups and nursing and midwifery regulators in the European Union (EU) and internationally. We held a summit for European midwifery regulators in May 2009 and this work led to further meetings to discuss common regulatory concerns with European Commission (EC) officials. We continue with our membership of the European Federation of Nursing (FEPI). NMC Chair, Professor Tony Hazell, became the first ever lay person to be elected to FEPI's governing body as Vice President. We continue to collaborate with our FEPI partners in lobbying the EC on a number of regulatory matters.

A series of roadshows for employers was a new venture for us, providing information to employers about the fitness to practise process and seeking feedback on their experience of referring cases to the NMC. Representatives from the NHS, private and not-for-profit sectors attended and their feedback has been valuable in informing the development of new information resources for employers that we will shortly be publishing.

In March we held our first annual midwifery conference for midwives and student midwives. The venue was Cardiff, the theme was supervision, support and safety, and approximately 300 delegates attended from across the UK. The day included keynote and concurrent sessions, with speakers drawn from the four countries including lay as well as midwife presenters.

In collaboration with patients groups and members of the public, we developed and published public information about the system for supervising midwives, information for older people and their carers about what to expect from nurses, and guidance for students.

We have developed a strategy for establishing relationships with patients groups and public involvement organisations. We have worked with national organisations through joint events and maintain communications with our contacts. These organisations contributed to our thinking on key pieces of work such as our review of *Midwives rules and standards* and our review of pre-registration nurse education. We have identified a number of umbrella organisations across the UK that might be interested in joint working with us on future projects. We will continue to develop this work in 2010.

We conducted opinion research with nurses and midwives and the general public to establish their understanding and knowledge of the NMC, and to understand their communications preferences. We are developing a range of communications tailored to the needs of our core audiences: nurses and midwives; employers; students; patients and vulnerable members of the public.

We extended our engagement with political stakeholders through dialogue with politicians, senior civil servants, educators and professional stakeholders in England, Wales, Scotland and Northern Ireland. This included the November 2009 meeting of the NMC Council in Edinburgh; Parliamentary receptions with politicians at Westminster and Holyrood; the Parliamentary launch of *Care and respect every time: Guidance for the care of older people* and the "Health hotel" initiative at the party political conferences.

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## Staff

### Objectives

- We will attract, support, develop and retain a diverse staff group.
- We will invest in and value our staff, providing learning and development opportunities so that they are the best they can be.
- We will build a culture of excellence, motivating our staff to provide a high quality, professional service.

### Achievements and performance

We have developed a comprehensive training plan that includes management development programmes for junior and middle managers; coaching for the executive team; and the provision of training in a range of skills to meet needs identified to support delivery of the business plan. Our ability to respond to individual needs is increased through the provision of e-learning, accessible by all.

The Equality and Diversity unit has delivered equality and diversity training including training on equality impact assessments to the majority of NMC staff and continues to deliver training as part of the Fitness to Practise panellists' induction and refresher training.

Towards the end of the year we began a "fit for purpose" review of our organisational structure, with a view to ensuring the accountability of all staff is clear and reasonable; that there is adequate succession planning in each corporate area; and to ensure that staff engagement and morale is maintained. This review is expected to be completed by mid 2010.

We have listened to feedback from managers and staff on our performance development review system and have amended the way that this will be carried out in future. This includes developing a competency framework that will apply to everyone. Alongside this we have developed a management capability framework in response to gaps identified in our performance against the Investors in People (IiP) standard. Our Staff Consultation Group members were invited to become IiP champions and take a leading role in involving the wider organisation in this piece of work.

We also enhanced our internal communications by introducing a core briefing process to allow key messages to be cascaded from the Executive Management Board to staff, and for feedback to be gathered. We will continue to work on the Investors in People action plan over the next 12 months.

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## Systems

### Objectives

- We will develop and maintain business services that support the fulfilment of our statutory functions.
- We will continue to improve our processes and procedures, optimising our resources and providing best value.
- We will ensure we take clear and robust decisions and have transparent governance processes.

### Achievements and performance

This year we have achieved the completion of the financial recovery plan – the NMC having inherited a significant financial deficit on its inception in 2002. We have delivered our targeted reserves, eliminated the deficit and have put the NMC on a sound financial basis going forward. This will allow us to ensure that all fee income is utilised for current regulatory requirements.

A new financial strategy and reserves policy post-financial recovery plan has been approved by Council, to be effective from 1 April 2010.

We developed a new strategic vision and three year corporate plan, in conjunction with stakeholders and staff, setting out our key deliverables.

A major programme to upgrade ICT infrastructure was largely concluded in the year, to improve functionality, resilience and flexibility, thereby increasing personal and corporate performance and cost-effectiveness. Our core registration system, Wiser, continued to be enhanced to ensure it meets the needs of the registrations department. The new FtP case management system went live in this year. This was a major achievement and required significant resources from a number of departments.

To improve organisational effectiveness, project management continued to be embedded across the organisation. This was the first full year of performance measurement (via key performance indicators) which allow us to track NMC performance, aligned to our corporate plan.

We have continued to operate a robust system of internal control and stewardship of NMC assets, as evidenced by clean audit reports throughout the year. The NMC business continuity plan was prepared and implemented. This will allow the NMC to continue operating in the event of a significant adverse incident or circumstances.

We delivered financial and procurement training across the NMC to upgrade skills and personal and corporate performance, and achieved procurement savings of £625,000. We implemented project costing and time recording to measure costs and resource allocation more effectively across the organisation. Internal departmental processes have been analysed and mapped across the organisation to help identify areas for improvement and smarter ways of working.

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The Council has agreed a scheme of delegation which determines the responsibilities of the Council, the committees and the Executive Management Board. The Council and committees work within standing orders which are reviewed at least annually.

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.

In March 2010, the Council participated in a workshop which reviewed their performance as a trustee body since taking office in January 2009. The Council determined that improvements could be made in the governance structure. Since then, a complete review of the governance structure of the NMC has taken place. This work is ongoing and it is anticipated that this will be complete by January 2011.

## **Equality and diversity**

The NMC values the diversity of our staff, nurses and midwives and the wider community we serve. We continue to work to ensure that diversity is reflected in everything we do, and equality and diversity implications are considered in all NMC activity.

Our Equality and Diversity unit initiated and made good progress with a register-wide diversity data collection exercise. This will help to improve the monitoring, and delivery of, our fitness to practise processes. By July 2010 all nurses and midwives will have been sent a short questionnaire with their registration paperwork. They are being asked on a voluntary basis to complete the form and return it with their other paperwork or to use the online form on our website. Once we have a comprehensive data set we will use this information to identify if some groups are more likely to be referred to us than others, and to understand the outcomes of those referrals. This will mean we are able to check that all nurses and midwives receive fair, open and honest treatment from us. Analysis work has already started in this area on the gender and age of registrants, data which we already hold.

This year we have also developed and published our joint equality scheme which provides a framework for our equality and diversity objectives as a public body, as a regulator, and as an employer. It is underpinned by an action plan detailing how, and by when, individual departments are contributing to meeting the organisation-wide objectives. The joint equality scheme was approved in November 2009 by the Council and the Executive Management Board approved the action plan following its endorsement from the Business Planning and Governance committee in December 2009. Both are published on our website accompanied by an 'easy read' version of the scheme.

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We also continued to chair 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, and the Equality and Human Rights Commission over the last year. We also continue to meet with our expert panel of disabled people made up of nurses and midwives, education professionals and members of the public who have a disability. This year, the expert panel of disabled people contributed to our joint equality scheme.

## Financial review

The net incoming resources for the year amounted to £14,970,000 (2008–2009: £14,315,000).

The reserves of £42.33 million include the value of the lease of the NMC's offices at 23 Portland Place, which contains a restrictive user clause. The lease was revalued on 31 March 2010 on an existing use basis at £13.75 million.

During the year income totalled £51,708,000 (2008–2009: £49,945,000) and was comprised of fee income of £51,095,000 (2008–2009: £47,879,000), investment income of £486,000 (2008–2009: £1,390,000), trading income of £77,000 (2008–2009: £126,000), and a contribution from the Department of Health of £50,000 to support a piece of work on the role of the nurse in adult safeguarding.

During the year expenditure totalled £36,738,000 (2008–2009: £35,630,000). This is further analysed within note 12 to the accounts.

## Reserves policy

The free reserves of the NMC were £23,391,000 at 31 March 2010 (£8,068,000 at 31 March 2009). The Council had previously agreed a reserves policy that the free reserves should equate to six months' expenditure by 31 March 2010, and implemented a financial recovery plan to ensure this would be achieved. This level of reserves was considered appropriate to provide adequate working capital to ensure that the NMC can operate efficiently and effectively, given the insecure financial base of the NMC at the time.

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 quarterly. The reserves policy is reviewed by trustees as part of the annual planning process.

A new reserves policy has been agreed by Council to take effect from 1 April 2010. The new policy requires that free reserves should equate to three months' budgeted operating expenditure, plus an amount to cover the NMC's estimated share of the pension deficit based on the latest pension scheme valuation. The revised reserves level will be phased in by 2014–2015. This level of reserves is considered to be appropriate now that the financial recovery plan has been achieved 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.

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## Investment policy

The Council has the power to invest its surplus funds as it considers appropriate to generate income for the NMC. Currently the Council 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 £486,000 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 £1,647,000.

There were two major capital projects during the year. These were the completion of the design and implementation of the Fitness to Practise case management system at a cost of £1,185,000, and the continuation of the NMC's ICT infrastructure upgrade at a cost of £153,000.

## Remuneration report

The financial aspects of this report are audited by the 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 those heads of directorates reporting 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 members of the Remuneration Committee are the Chair of Council, Chair of the Audit, Risk and Assurance Committee and the Chair of the Business Planning and Governance Committee. Benchmarking of the roles of SMT members is carried out periodically by third parties and this information is made available to the committee. No members of the SMT are on fixed-term contracts.

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.

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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 6 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. There are no provisions relating to compensation for the early termination of any employment contracts. No awards for early termination of contracts of employment were made during 2009–2010. A small number of NMC employee roles require the employee to have a nursing or midwifery background.

Two individuals held the position of Chief Executive and Registrar during 2009–2010. The current Chief Executive and Registrar, Professor Dickon Weir-Hughes, took office on 2 November 2009. His remuneration in 2009–2010 was £57,944. He is an ordinary member of the NMC pension scheme (see note 13). The pension benefits accrued at the start of the year and the cash equivalent transfer value of benefits at the start of the year were £0. A cash equivalent transfer value was brought into the pension scheme of £362,000. The real increase in the cash equivalent transfer value during the reporting year was £0. The real increase in accrued pension benefits (both pension and related lump sum) during 2009–2010 was between £0 and £2,500 pa. The value of accrued pension at age 60 at 31 March 2010 was between £25,000 and £30,000 and the value of the related lump sum at age 60 at 31 March 2010 was between £65,000 and £70,000. The cash equivalent transfer value of benefits at 31 March 2010 was £475,000. The cash equivalent transfer value at 31 March 2010 was calculated on the Scheme Actuary's cash equivalent transfer value basis.

The previous Chief Executive and Registrar was Kathy George. Her remuneration in 2009–2010 was £92,842 (2008–2009 £10,000). She was not a member of the NMC pension scheme. No pension contributions were made on her behalf to any other pension scheme.

The Chief Executive and Registrar received no non-cash benefits (benefits in kind) in 2009–2010 or 2008–2009.

No special payments were made to the Chief Executive and Registrar in 2009–2010. In 2008–2009 the former Chief Executive and Registrar, Sarah Thewlis, received special severance payments totalling £121,825 by way of compensation in connection with the termination of her employment.

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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.

Council members received allowances in 2009–2010 totalling £204,260. Full details of the amounts paid are set out in the table below.

No special payments were made to any Council member in 2009–2010. In 2008–2009 a former Vice President, Moi Ali, received a special severance payment of £40,000 in settlement of all and any claims arising out of or in connection with her period as an office holder of the NMC.

### **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 2009–2010 £17,249 was provided for this tax liability in relation to Council members (2008–2009 £108,000). The tax payable on deemed benefits in kind cannot be disclosed by 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 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 2009–2010	Allowance paid to member 2008–2009	Expenses deemed benefit in kind 2009–2010	Expenses deemed benefit in kind 2008–2009
	(£)	(£)	(£)	(£)
Mrs A Aitken	12,000	3,520	4,097	1,062
Ms C Baron *	12,000	11,710	2,357	6,184
Dr K Bharj	12,000	3,520	1,569	583
Prof J Ellis	12,000	3,000	249	141
Mrs J Fletcher	12,000	3,520	5,271	1,128
Prof T Hazell – Chair	48,000	13,820	14,015	6,535
Mrs L Jacobs	12,000	3,520	1,185	323
Mrs G Nelson	12,000	3,520	4,835	1,414
Mr G Owen	12,000	3,520	2,709	651
Mr D Pyle	12,000	3,520	1,834	208
Mrs C Rees-Williams	12,000	3,000	1,993	350
Prof M Renfrew	12,000	3,520	7,358	1,059
Ms R Sawtell	12,260	1,260	640	27
Prof J Tunstill	12,000	3,520	57	106

\* Also a member of the previous Council for the period 1 April 2008–31 December 2008

## 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. Any general themes and conclusions arising from the process are reported to the Business Planning and Governance Committee.

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## Structure, governance and management

The NMC is set up under the Nursing and Midwifery Order 2001. The work of the NMC is governed by this and associated legislation.

The NMC is registered with the Charity Commission for England and Wales under number 1091434, and with the Office of the Scottish Charity Regulator under number SC038362.

The trustees present their report and financial statements for the year ended 31 March 2010. 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

Dr Kuldip Bharj OBE

Professor Judith Ellis MBE

Joyce Fletcher

Lorna Jacobs

Gayle Nelson

Grahame Owen

David Pyle

Carole Rees-Williams

Professor Mary Renfrew

Ruth Sawtell (appointed 1 March 2009)

Professor Jane Tunstill

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## Committees

The committee structure consists of seven committees. Three of these are policy committees: the Fitness to Practise Committee, the Midwifery Committee and the Professional Practice and Registration Committee. The other committees make decisions about the governance of the organisation. These are the Appointments Board, the Audit, Risk and Assurance Committee, Business Planning and Governance 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.

### Fitness to Practise Committee

The remit of the Fitness to Practise Committee is to keep under review and to advise the Council on arrangements for protecting the public from registrants whose fitness to practise is impaired. The committee consists of five Council members and three partner members and is chaired by Lorna Jacobs.

### 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 Jane Tunstill, the committee consists of two Council members and eight partner members. There are five midwives and five lay members on the committee.

### Professional Practice and Registration Committee

The remit of the Professional Practice and Registration Committee is to keep under review and advise the Council generally on all matters relating to nursing and midwifery practice and education except where they are specific to midwifery. The committee consists of five Council members and three partner members and is chaired by Professor Judith Ellis. There are four registrant and four lay members of the committee.

### Audit, Risk and Assurance Committee

The Audit, Risk and Assurance Committee is responsible for ensuring that Council has effective controls in place and that there are appropriate systems in place for managing risk. The Audit, Risk and Assurance Committee also has responsibility for ensuring the quality of nursing and midwifery education provision by monitoring the UK-wide Quality Assurance framework contract. The committee is chaired by David Pyle and consists of four Council members and two partner members.

### Business Planning and Governance Committee

The remit of the Business Planning and Governance Committee is to consider, review and make recommendations to the Council as appropriate, regarding matters relating to the finances and resources of the Council. Chaired by Professor Mary Renfrew, the committee consists of three Council members and two partner members.

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## 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

We began the year under the leadership of Chief Executive and Registrar Kathy George who retired in October. From 2 November 2009 the organisation was led by new Chief Executive and Registrar Professor Dickon Weir-Hughes.

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

## 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

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

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## **Staff involvement**

We place considerable reliance on the involvement of our employees, making every effort to ensure that all staff members are kept informed of the NMC's plans and developments. Our main channels of communication include all-staff meetings, monthly team briefings, the intranet, email and weekly all staff emails. Our channels of communication are being constantly adapted in order to reach as many staff as possible.

The Staff Consultation Group, which has been in operation since 2008, has been heavily involved with reaching the Investors in People standard, an award which we are committed to retaining. The Staff Consultation Group provides a forum for discussion on matters affecting staff at work, consultation on new policy initiatives, and a further channel of communication for keeping all of our staff informed.

## **Risk review**

The NMC regularly reviews its objectives to identify risks and barriers which might prevent us achieving our objectives. The NMC has 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 31 to 35.

## **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 endorsed their acceptance of these responsibilities at the Council meeting which took place on Thursday 7 May 2009.

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## 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. There were 70,267 Scottish nurses, midwives and specialist community public health nurses on our register as at March 2010, compared with 70,557 in March 2009.

## Northern Ireland

The NMC will be registering as a charity in Northern Ireland when the Charity Commission of Northern Ireland begins registering charities. Similarly to Scotland, 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. There were 21,811 nurses, midwives and specialist community public health nurses registered in Northern Ireland on our register as at March 2010 compared with 21,570 in March 2009.

## 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 27,492 nurses, midwives and specialist community public health nurses registered by the NMC in March 2010 compared with 26,891 in March 2009.

## Relevant audit information

So far as we are aware, there is no relevant audit information of which the NMC's auditors are unaware; and 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.

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## Future plans

On taking up office in January 2009 the Council decided to review the strategic plan that had been put in place by the previous Council. The new Council agreed its strategic vision and updated corporate plan in September 2009. This section of the annual report outlines the key deliverables of the plan.

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

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

- Evolving public needs driven by economic pressures, growing inequalities, an ageing population and changing health conditions are putting new demands on the services of nurses and midwives. This is also likely to affect public expectations.
- Advances in technology will provide both opportunities and challenges as we face the possibility of more sources of data, information and means of monitoring.
- As the range of activities undertaken by nurses and midwives develops, it is essential that the NMC also evolves as their regulator. Regulation is not static and in the future we will need to be able to continue to meet the expectations of the public within an increasingly complicated regulatory environment. We will need to be mindful of changes to policy and ways of working in the health and social care sectors, in each of the four countries of the UK and internationally.

To do this we will need to be an effective, forward thinking and flexible regulator. This means that:

- We will need to demonstrate the quality and impact of our work. This will include using evidence to support why we do what we do.
- We are an accountable organisation and we have to be able to demonstrate that we provide value for money. We will need to show that our performance and expenditure is effective and we will provide the evidence to show this.
- We will engage the public and listen to their needs. As an independent body, we will need to speak to the government, other regulators and European institutions. We will work to gain a powerful voice to help us influence others in the public interest.
- We must influence the behaviour of nurses and midwives positively. We will work to achieve this by ensuring that everything we do is relevant, proportionate and based on evidence. We will also make sure that our communications are thoughtful and effective and we will look for evidence to show that our messages have been heard.
- We work in partnership with others to achieve our statutory objective. To protect the public we must have open and effective relationships.
- We will target our activities effectively by using available information and data sources. We will set out agreed priorities for our work and focus on achieving them.

The public and the people that we regulate must be able to trust the NMC and have confidence in what we do. We will seek reassurance, externally if necessary, that our operations, systems and methods are sound. We will also communicate our work so that people can have confidence in the care provided by nurses and midwives.

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## 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.

We will:

- set and measure high standards of education for nurses and midwives
- 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
- bring about public confidence by taking swift and fair action to deal with nurses and midwives whose integrity or ability to provide safe care is questioned
- inspire confidence in people using maternity services by assuring the quality of supervision given to midwives
- 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.

## Stakeholders

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

We will:

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

## Staff

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.

We will:

- build a culture of excellence by attracting, retaining and developing staff to deliver high-quality services
- have efficient and effective services that support the fulfilment of our statutory functions
- develop and maintain effective governance processes that enable us to take clear and robust decisions and demonstrate our accountability
- demonstrate that we provide value for money and that our processes are relevant, proportionate and based on evidence.

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## Statement of responsibilities for Council and its Chief Executive 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 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:

- a. observe the applicable accounts directions issued by the Privy Council
- b. select suitable accounting policies and then apply them consistently
- c. observe the methods and principles in the Charities SoRP
- d. make judgments and estimates on a reasonable basis
- e. prepare the accounts on a going concern basis unless it is inappropriate to presume the Council will continue in operation, and
- f. 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 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*.

Chair, NMC

Signed on 7 July 2010

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## Statement on internal control for the year ending 31 March 2010

### 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 policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing 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. The system of internal control has been in place in the NMC for the year ended 31 March 2010 and up to the date of approval of the annual report and accounts.

### Capacity to handle risk

There is a risk framework in place across the organisation which includes guidelines for the identification, quantification and management of risk. Each director is responsible for managing the risks in his or her particular area. Individual registers are maintained for projects and programmes. Each director is a sponsor for the projects in his or her area and takes responsibility for escalating the highest project risks to the directorate risk register. The Head of Risk Management works with the Executive Management Board (EMB) in developing policies, procedures and guidelines to support managers across the organisation. There is an escalation process in place and the highest risks are escalated to the corporate risk register. EMB reviews the register on a quarterly basis throughout the year. The Audit, Risk and Assurance Committee oversees the risk programme and monitors the strategic and the highest operational risks to the organisation on behalf of the Council. The committee monitors an annual plan to embed risk management. Council monitors the strategic and the highest operational risks to the organisation.

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The system includes:

- directorate risk registers, project registers and a corporate risk register
- regular meetings by the Head of Risk Management with risk managers and risk co-ordinators
- a comprehensive programme of risk management training for directors, managers, and project leads
- risk awareness training for support staff
- guidance and advice through the Audit and Risk department.

Accident and incident management policies were developed during the year and the Audit and Risk department monitor incidents for trends. Lessons learnt reports are available for each major project.

## **The risk and control framework**

The process of risk management ensures that the highest risks to the achievement of the strategic objectives are regularly identified within an embedded risk management system. Risks are evaluated using both qualitative and quantitative information to assess the impact and likelihood of the risks occurring. Risk treatment plans are put in place. A risk appetite has been developed and will go to Council for review later in the year. We have a risk averse attitude to risks in respect of protection of the public, financial propriety and health and safety. Directors lead on the risk and control framework at directorate level with risk co-ordinators in each directorate, to champion the risk initiative at local level. During the year we conducted a seminar for our Council members where they had an opportunity to contribute to the identification and management of strategic risks. These risks will be reviewed regularly by EMB, the Audit, Risk and Assurance Committee and Council.

Managers are supported and trained in the theory and application of risk management and support staff are given risk awareness training. We have trained our staff in risk management processes and are working to ensure that risk management is embedded at every level in the organisation as a management and communication tool in achieving our business plan objectives. The highest risks are kept under continual review by EMB, the Audit, Risk and Assurance Committee and Council.

A change took place in the portfolio management risk reporting structure for projects and programmes during the year. The stakeholder engagement programme terminated and a change was put in place to the risk reporting procedures. Risks to projects and business as usual work are now managed through local registers. Each director takes the responsibility for escalating the highest project risks to the directorate risk register. A revised escalation process is in place. Project and programme managers are appointed for major programmes of work for example the case management system. A Project board oversees project deliverables.

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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, Risk and Assurance 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 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 EMB and agreed and monitored by the Business Planning and Governance Committee (BPGC) and Council
- directorate and project budgeting processes with an annual budget which is monitored and reviewed by EMB, BPGC and agreed by Council
- a system of measuring performance by the use of key performance indicators
- financial regulations with clearly defined procedures for the authorisation and control of items of revenue and capital expenditure
- a Council which meets to consider the plans and the strategic direction of the NMC.

The NMC consults with a number of stakeholders for example nurses and midwives, patient and user representation groups, professional bodies, higher education institutions, government health departments, trade unions etc in the formulation of new policies and standards through a variety of consultation methods. Decisions at Council are also informed by the use of stakeholder engagement.

The NMC takes information security seriously and during the year an information security audit was carried out. While there have been no information security issues in the past year, the NMC recognises the importance of maintaining confidentiality of nurses', midwives' and stakeholder information and the integrity of its data. It has considered this in the light of recent guidance and is satisfied that it meets the requirements in most respects and is taking action to strengthen the internal controls recommended in the audit report.

## **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 Audit and Risk 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, Risk and Assurance Committee and report to the committee on a quarterly basis. Following an audit, recommendations are made for continuous improvement and progress is monitored by EMB on a two monthly basis. We have been advised and supported by EMB and the Audit, Risk and Assurance Committee during the year.

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Our annual internal audit plan is designed to address risks arising through the year. We strengthened our process for following up the achievement of audit recommendations and they are now achieved more efficiently.

We have implemented accident and incident policies to learn from incidents and to ensure a system of continuous improvement. We recruited a Quality Assurance Manager in Fitness to Practise, and a Test and Quality Assurance Manager in Information Communications and Technology (ICT). Following the implementation of audit recommendations, our internal controls have been strengthened around ICT. Our auditors have noted improvements in our internal controls during the year.

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

- periodic reports from the Chair of the Audit, Risk and Assurance 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 Audit and Risk department and reports into the Audit, Risk and Assurance 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 EMB and the Audit, Risk and Assurance Committee
- an annual report on the effectiveness of the systems of internal control under review.

The main risks facing the NMC in 2009–2010 were risks concerning:

- risks to safeguarding of patients and the public if individuals enter the register through unapproved training programmes
- the lack of a Fitness to Practise case management system for part of the year
- the risk of a failure to deliver process improvements set out in the Business plan
- risks surrounding the impact of EU legislation and a lack of adaptation programmes resulting in a perception that the NMC's regulations may be a barrier to freedom of movement.

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## Significant internal control issues

Last year we reported on the implementation of an Action Plan following the publication of the CHRE Special Report in June 2008. Following CHRE's audit of the first stage of our fitness to practise procedures during the year we produced and implemented a revised plan to deliver performance improvement across our fitness to practise procedures. Progress against the plan is monitored by the Chief Executive, the Director of Corporate Governance and Organisational Development and the Director of Fitness to Practise. Regular reports are provided to the Fitness to Practise Committee.

Chair, NMC  
Signed on 7 July 2010

Chief Executive and Registrar, NMC  
Signed on 7 July 2010

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

We have audited the financial statements of Nursing and Midwifery Council for the year ended 31 March 2010 which 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 therein.

This report is made solely to the charity's trustees, as a body, in accordance with the regulations made under the Charities Act 1993. 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and the Council as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of Council and auditor

As described in the Statement of Council Responsibilities the Council are responsible for the preparation of the Council's Report and financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

We have been appointed as auditors under section 43 of the Charities Act 1993 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and report in accordance with regulations made under those Acts. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Charities Act 1993, the Charities and Trustee Investment (Scotland) Act 2005 and Regulation 8 of the Charities Accounts (Scotland) Regulations 2006. We also report to you if, in our opinion, the Council's Report is not consistent with the financial statements, if the charity has not kept proper accounting records, if the charity's financial statements are not in agreement with these accounting records or if we have not received all the information and explanations we require for our audit.

We read the Council's Report and consider the implications for our report if we become aware of any apparent misstatements within it.

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## Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charity's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material mis-statement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

## Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the charity's affairs as at 31 March 2010 and of its incoming resources and application of resources in the year then ended; and
- have been properly prepared in accordance with the Charities Act 1993, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006.

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

Signed on 7 July 2010

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## The certificate and report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements of the Nursing and Midwifery Council for the year ended 31 March 2010 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, the Chief Executive, and auditor

The Nursing and Midwifery Council and the Chief Executive as Accounting Officer are responsible for preparing the Trustees' Report and the financial statements in accordance with the Nursing and Midwifery Order 2001 and Privy Council directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Responsibilities of Council and its Chief Executive.

My responsibility is to audit the financial statements and the part of the Remuneration Report to be audited in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Nursing and Midwifery Order 2001 and Privy Council directions made thereunder. I report to you whether, in my opinion, the information which comprises Review of 2009–2010, Structure, Governance and Management, and Looking Forward, included in the Trustees' Report, is consistent with the financial statements. I also report whether 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.

In addition, I report to you if the Nursing and Midwifery Council has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by relevant authorities regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects the Nursing and Midwifery Council's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or form an opinion on the effectiveness of the Nursing and Midwifery Council's corporate governance procedures or its risk and control procedures.

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I read the other information contained in the Trustees Report and consider whether it is consistent with the audited financial statements. This information comprises the Chair's Foreword and the Introduction of the Chief Executive and Registrar. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

## **Basis of audit opinions**

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Nursing and Midwifery Council and Chief Executive in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Nursing and Midwifery Council's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error, and that 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. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

## **Opinions**

In my opinion:

- the financial statements give a true and fair view, in accordance with the Nursing and Midwifery Order 2001 and directions made thereunder by the Privy Council, of the state of the Nursing and Midwifery Council's affairs as at 31 March 2010 and of its incoming resources and application of resources for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Nursing and Midwifery Order 2001 and Privy Council directions made thereunder; and
- information, which comprises Review of 2009–2010; Structure, Governance and Management; and Looking Forward, included within the Trustees Report, is consistent with the financial statements.

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## **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.

## **Report**

I have no observations to make on these financial statements.

Amyas Morse  
Comptroller and Auditor General  
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Signed on 15 July 2010

## Statement of financial activities for the year ended 31 March 2010

	Note	Un-restricted funds 2010 £'000	Restricted funds 2010 £'000	Total funds 2010 £'000	Total funds 2009 £'000
<b>Incoming resources</b>					
Incoming resources from charitable activities:					
• Fee income	3	51,095	-	51,095	47,879
Incoming resources from generated funds:					
• Investment income	2	486	-	486	1,390
• Trading income	4	77	-	77	126
• Contribution (Dept of Health)	27	-	50	50	550
<b>Total incoming resources</b>		<b>51,658</b>	<b>50</b>	<b>51,708</b>	<b>49,945</b>
<b>Resources expended</b>					
Charitable activities	5	30,396	179	30,575	28,329
Governance costs	6	2,437	-	2,437	3,885
Costs of generating funds:					
• Costs of generating trading income	8	19	-	19	25
Other resources expended:					
• Communications and public engagement	7	3,707	-	3,707	3,391
<b>Total resources expended</b>		<b>36,559</b>	<b>179</b>	<b>36,738</b>	<b>35,630</b>
<b>Net incoming/(outgoing) resources from operations</b>		<b>15,099</b>	<b>(129)</b>	<b>14,970</b>	<b>14,315</b>
<b>Other recognised gains</b>					
Unrealised gain/(loss) on revaluation of fixed assets	15	1,510	-	1,510	(2,487)
<b>Net movement in funds</b>		<b>16,609</b>	<b>(129)</b>	<b>16,480</b>	<b>11,828</b>
Reserves brought forward		25,348	500	25,848	14,020
<b>Total funds carried forward</b>		<b>41,957</b>	<b>371</b>	<b>42,328</b>	<b>25,848</b>

All of the Council's activities in the above two financial years were derived from continuing operations. All recognised gains and losses are included in the above statement. The notes on pages 41 to 59 form part of these accounts.

## Balance sheet as at 31 March 2010

	Note	2010 £'000	2009 £'000
<b>Fixed assets</b>			
Tangible assets	15	<u>18,566</u>	<u>17,280</u>
<b>Total fixed assets</b>		<u>18,566</u>	<u>17,280</u>
<b>Current assets</b>			
Debtors	17	596	431
Short-term deposits	24	54,000	41,000
Cash at bank and in hand	24	<u>6,244</u>	<u>4,277</u>
<b>Total current assets</b>		60,840	45,708
<b>Current liabilities</b>			
Creditors (amounts falling due within one year)	18	<u>(36,978)</u>	<u>(37,026)</u>
<b>Net current assets</b>		<u>23,862</u>	<u>8,682</u>
<b>Total assets less current liabilities</b>		42,428	25,962
Creditors (amounts falling due after more than one year)	19	(100)	(114)
<b>Net assets</b>		<u>42,328</u>	<u>25,848</u>
<b>Restricted funds</b>	27	371	500
<b>Unrestricted funds</b>		<u>41,957</u>	<u>25,348</u>
<b>Total funds</b>		<u>42,328</u>	<u>25,848</u>

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

**Chair, NMC**  
Signed on 7 July 2010

**Chief Executive and Registrar, NMC**  
Signed on 7 July 2010

## Cash flow statement for the year ended 31 March 2010

	Note	£'000	2010 £'000	£'000	2009 £'000
Net cash inflow from operating activities	23		16,128		19,761
Returns on investment and servicing of finance					
Interest received	2	486		1,390	
Capital expenditure and financial investment					
Payments to acquire tangible fixed assets	15	(1,647)		(5,190)	
			<u>(1,161)</u>		<u>(3,800)</u>
<b>Increase in cash in the year</b>			<u>14,967</u>		<u>15,961</u>

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)
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.

## Notes to the accounts continued

### 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.

#### **Trading income**

Trading income is recognised in the statement of financial activities when receivable. The trading income arises 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 fitness to practise, maintaining the register and standards promotion and policy development.

#### **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 newsletter *NMC News*.

### **Cost of generating funds**

This cost relates to expenditure on trading activities which consists of advertising in *NMC News*.

### **e) Development costs**

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

### **f) Fund accounting**

The Council maintains various types of funds as follows:

#### **i) Restricted funds**

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

#### **ii) Unrestricted funds**

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

### **g) Leased assets**

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

### **h) Pension costs**

Retirement benefits are provided by a defined 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 the expected average remaining service lives of members of the scheme.

## Notes to the accounts continued

### 2 Investment income

	2010 £'000	2009 £'000
Income from UK listed investments		
Interest receivable		
• from money market	486	1,390
	<u>486</u>	<u>1,390</u>

### 3 Fee income

	2010 £'000	2009 £'000
Periodic fees	50,516	47,313
Registrations	396	249
Verifications	177	309
Replacement of Pin cards	6	8
	<u>51,095</u>	<u>47,879</u>

### 4 Other income

	2010 £'000	2009 £'000
<b>Trading income</b>		
<i>NMC News</i>	77	126
	<u>77</u>	<u>126</u>

## 5 Charitable activities

	Unrestricted £'000	Restricted £'000	2010 £'000	2009 £'000
Standards promotion and policy development	3,453	179	3,632	3,587
Maintaining the register	7,263	-	7,263	6,906
Fitness to practise	19,680	-	19,680	17,836
	<u>30,396</u>	<u>179</u>	<u>30,575</u>	<u>28,329</u>

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

## 6 Governance costs

	2010 £'000	2009 £'000
Members' allowances, travel and subsistence	282	731
Auditors' remuneration – audit fees – haysmacintyre	22	21
Auditors' remuneration – audit fees – NAO	5	5
Allocation of operating costs (inc. salaries) (note 1d)	2,128	3,128
	<u>2,437</u>	<u>3,885</u>

## 7 Other expenditure – Communications and public engagement

	2010 £'000	2009 £'000
Conferences, seminars and publicity	156	114
NMC newsletter <i>NMC News</i>	976	1,007
Communications	65	94
Printing of Council publications	557	426
Allocation of operating costs (inc. salaries) (note 1d)	1,953	1,750
	<u>3,707</u>	<u>3,391</u>

## Notes to the accounts continued

### 8 Other expenditure – Cost of generating funds

	2010 £'000	2009 £'000
Trading expenditure	19	25
	<u>19</u>	<u>25</u>

### 9 Charitable activities costs

	Staff costs £'000	Depreciation £'000	Other costs £'000	Total 2010 £'000	Total 2009 £'000
Charitable activities:					
• Standards promotion and policy development	1,763	199	1,670	3,632	3,587
• Maintaining the register	4,417	596	2,250	7,263	6,906
• Fitness to practise	5,248	836	13,596	19,680	17,836
Governance costs	1,721	58	658	2,437	3,885
Other expenditure:					
• Communications and public engagement	1,307	182	2,218	3,707	3,391
• Trading expenditure	-	-	19	19	25
	<u>14,456</u>	<u>1,871</u>	<u>20,411</u>	<u>36,738</u>	<u>35,630</u>

## 10 Analysis of direct costs

	Direct costs £'000	Support costs £'000	Total 2010 £'000	Total 2009 £'000
<b>Cost of generating funds:</b>				
Costs of generating trading income	19	0	19	25
<b>Charitable activities:</b>				
• Standards promotion and policy development	3,235	397	3,632	3,587
• Maintaining the register	6,071	1,192	7,263	6,906
• Fitness to practise	18,008	1,672	19,680	17,836
Sub-total charitable activities	<u>27,314</u>	<u>3,261</u>	<u>30,575</u>	<u>28,329</u>
Governance	2,321	116	2,437	3,885
Communications and public engagement	3,343	364	3,707	3,391
<b>Total</b>	<u>32,997</u>	<u>3,741</u>	<u>36,738</u>	<u>35,630</u>

## 11 Analysis of support costs

Support cost	Standards promotion and policy development £'000	Maintaining the register £'000	Fitness to Practise £'000	Governance £'000	Communications and public engagement £'000	Total 2010 £'000	Total 2009 £'000
Facilities	61	185	259	18	56	579	736
Finance	157	471	661	46	144	1,479	1,607
HR	179	536	752	52	164	1,683	1,421
	<u>397</u>	<u>1,192</u>	<u>1,672</u>	<u>116</u>	<u>364</u>	<u>3,741</u>	<u>3,764</u>

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

## Notes to the accounts continued

### 12 Total resources expended by natural classification

	2010	2009	Details
	£'000	£'000	(see next page)
Salaries and associated costs	14,456	12,997	1
Other staff expenses	743	523	2
Premises	1,809	1,671	
Insurance	81	69	
Sundry, furniture, equipment and maintenance	165	139	
Hire of equipment	24	29	
Fitness to Practise	10,752	10,863	3
Depreciation	1,871	1,095	4
Election cost	-	6	
Catering for fitness to practise hearings and meetings at 61 Aldwych	141	151	
Canteen – 23 Portland Place	243	287	
Standards promotion and policy development	966	1,131	5
Loss/(gain) on disposal of assets	-	1	
Professional fees	1,041	1,793	6
Auditors' remuneration – audit fees	22	21	
Auditors' remuneration – audit fees (NAO)	5	5	
IT development and support	401	336	
Telephones	161	183	
Postage	567	666	
Printing and stationery	787	766	
Advertising and recruitment	175	292	7
Bank charges	137	139	
Communications	65	94	
Conferences, seminars and publicity	156	114	
NMC newsletter <i>NMC News</i>	976	1,007	
Printing of Council publications	557	426	
Members' allowances, travel and subsistence	282	731	8
Committee costs	136	70	9
Cost of generating funds	19	25	
<b>Total resources expended</b>	<b>36,738</b>	<b>35,630</b>	

## Additional details for table in note 12

- 1 Additional staff resource has been directed in 2009–2010 principally towards Fitness to Practise activity. This resource supported the extensive work required to implement the new case management system. It also strengthened activity in a number of areas, including the ongoing reduction of both the backlog of cases and the time taken to process cases.

Additional resource was also engaged to support the delivery of a number of projects, including an extensive review of business processes across the NMC to identify efficiencies and better ways of working to improve customer service, and the design and implementation of an improved website. Increased resource was also directed towards stakeholder engagement and communications activity.

Increased contributions have also been made to reduce the deficit in the NMC's pension scheme, in line with recommendations from the scheme actuaries.

- 2 Increased staff travel costs were incurred in Fitness to Practise in the year for extensive testing of the case management system, much of which was required to take place at the supplier's premises in Belfast. Additional FtP staff travel costs were also required to service an increased volume of hearings (including interim order hearings) out of London. There was also increased investment in staff training and development activity in 2009–2010, which had not had sufficient focus in prior years.
- 3 Please refer to page 8 for details of Fitness to Practise activity in the year. The cost of additional hearing activity (particularly for Health Committee and interim order activity) was offset by a substantial reduction in external legal costs during the year.
- 4 Increased depreciation charges are due to the increased capital investment in the FtP case management system and ICT infrastructure which have been required to modernise working practises and ensure IT systems and processes are fit for purpose.
- 5 The decrease is due primarily to a more focused approach to the Quality Assurance monitoring activities which included 23 institutions being given earned autonomy (i.e. self reporting with no visit for 1 year) across the four countries in 2009–2010. The original modelling assumed that where savings were made through not visiting those providers with earned autonomy those savings would be directed towards weaker providers. In 2009–2010 the number of weaker providers was outweighed by those with earned autonomy. Cost savings were also achieved as part of the revision of the Mott MacDonald contract in October 2009.

## Notes to the accounts continued

- 6 A reduced level of external professional and legal expertise was required in 2009–2010. A number of significant work streams which required external support in 2008–2009 were concluded in 2008–2009, including the recruitment of the new Council (by the Appointments Commission), the review of the Action Plan (by PwC) and the closure of a number of legacy issues arising in the period presided over by the previous Council. Minor legal fees only were incurred in 2009–2010. Ongoing professional support is being provided on a number of NMC key projects, including revalidation, the review of pre-registration nursing, and website development. In addition, there is ongoing consultancy on the NMC's ICT strategy to modernise practises and ensure IT systems and processes are fit for purpose.
- 7 The reduction is due to a reduced level of recruitment in 2009–2010, together with an increased use of more cost-effective advertising media, such as online recruitment advertising. Significant resource was required in 2008–2009 for FtP recruitment as staff levels were increased to strengthen activity in a number of areas. In addition, there were a number of recruitment exercises in 2008–2009 for senior appointments.
- 8 The reduction in costs is due to the smaller number of Council members and Council and committee meetings and associated expenses under the new governance structure which took effect from 1 January 2009.
- 9 The increase is due to increased participation by NMC partner members, including the Appointments Board, to support Council members in committee business, under the new governance structure which took effect from 1 January 2009.

## 13 Information regarding employees

	2010 £'000	2009 £'000
<b>Salaries and associated costs</b>		
Wages and salaries <sup>1</sup>		
• Management	578	611
• Administration	8,574	7,352
Social security costs:		
• Management	63	66
• Administration	721	620
Pension costs – present staff (note 21):		
• Management	117	87
• Administration	2,194	1,518
Pension costs – retired staff of previous organisations (note 21)	29	43
Temporary staff	2,180	2,700
	<u>14,456</u>	<u>12,997</u>

The aggregate remuneration of the directors was as follows:

<b>Salary bands</b>	<b>2010</b>	<b>2009</b>
<b>£</b>	<b>Number of staff</b>	<b>Number of staff</b>
60,001 – 70,000	0	2
70,001 – 80,000	1	1
80,001 – 90,000	2	1
90,001 – 100,000	3	2
<b>Total accrued pension at 60 at 31 March 2010</b>	<b>2010</b>	<b>2009</b>
<b>£</b>	<b>Number of staff</b>	<b>Number of staff</b>
0 – 5,000	3	4
5,001 – 10,000	2	1
10,001 – 15,000	1	-

All the above employees are Ordinary members of the NMC pension scheme number FPS 1654.

<sup>1</sup> Please refer to note 12, detail 1

## Notes to the accounts continued

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

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

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

- 1 In addition to the above, there were eight (2009: nine) members of staff whose remuneration fell in the following bands:

	2010 Number of staff	2009 Number of staff
£60,001 – £70,000	6	6
£70,001 – £80,000	0	1
£80,001 – £90,000	2	2

- 2 The average number of employees in the year was 279 (management six and administration 273) and in the previous year was 249 (management six and administration 243).

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

	2010 £'000	2009 £'000
S Williams	2,001 – 2,500	1,501 – 2,000
S Atkinson	1,001 – 1,500	-
R Thompson	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	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost:</b>							
1 April 2009	306	1,596	5,610	8,430	1,797	2,090	19,829
Additions during year	-	335	-	-	(27)	1,339	1,647
Disposals	(9)	(129)	-	-	-	-	(138)
Revaluation	-	-	-	1,342	-	-	1,342
31 March 2010	<u>297</u>	<u>1,802</u>	<u>5,610</u>	<u>9,772</u>	<u>1,770</u>	<u>3,429</u>	<u>22,680</u>
<b>Depreciation:</b>							
1 April 2009	89	1,337	1,040	-	46	37	2,549
Charge for year	29	169	592	168	174	739	1,871
Disposals	(9)	(129)	-	-	-	-	(138)
Revaluation Adjustment	-	-	-	(168)	-	-	(168)
31 March 2010	<u>109</u>	<u>1,377</u>	<u>1,632</u>	<u>-</u>	<u>220</u>	<u>776</u>	<u>4,114</u>
<b>Net book value 31 March 2010</b>	<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>
Net book value 31 March 2009	<u>217</u>	<u>259</u>	<u>4,570</u>	<u>8,430</u>	<u>1,751</u>	<u>2,053</u>	<u>17,280</u>

## Notes to the accounts continued

### 15 Tangible fixed assets for use by the charity continued

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

The total cost of these projects is shown together under the heading of 'I.T. Projects' above.

### 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 2009 – 31 March 2010 the Chair of Council was paid £48,000 (2008–2009: £28,080).

During the year, allowances and travel and subsistence expenses of £282,000 (2008–2009: £731,000) were paid to members of the Council. There were 14 members of Council during the year.

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 pages 18 and 19.

The total amount due to Council members at 31 March 2010 was £4,620 (2008–2009: £38,020).

An accrual of £17,249 (2008–2009: £108,000) has been made for potential income tax and national insurance liabilities on payments for members' travel and subsistence expenses.

## 17 Debtors

	<b>2010</b> <b>£'000</b>	<b>2009</b> <b>£'000</b>
Other debtors	155	104
Prepayments and accrued income	441	327
	<u>596</u>	<u>431</u>

## 18 Creditors

	<b>2010</b> <b>£'000</b>	<b>2009</b> <b>£'000</b>
<b>Amounts falling due within one year</b>		
Other creditors and accruals	7,670	7,707
Other taxes and social security	317	287
Deferred income – Periodic fees for 2009–2010	-	29,032
Deferred income – Periodic fees for 2010–2011	28,991	-
	<u>36,978</u>	<u>37,026</u>

## 19 Creditors

	<b>2010</b> <b>£'000</b>	<b>2009</b> <b>£'000</b>
<b>Amounts falling due after more than one year</b>		
Deferred income – Periodic fees for 2010–2011	-	114
Deferred income – Periodic fees for 2011–2012	100	-
	<u>100</u>	<u>114</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).

## Notes to the accounts continued

### 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 (FPS 1654). Premier Pensions replaced Capita Hartshead as pension scheme administrator during the year. 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:

	<b>2010</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>
NMC's (employer's) contributions to all schemes made in year	<u>2,311</u>	<u>1,604</u>
	<u>2,311</u>	<u>1,604</u>
NMC's (employer's) contribution – to 31 July 2008	-	23.0%
NMC's (employer's) contribution – from 1 August 2008	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.

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 FPS 1654. These costs are met on a pay-as-you-go basis and are charged to SOFA as they arise. In 2009–2010 this expenditure amounted to £28,903 (2008–2009: £43,114).

## 22 Capital commitments

At 31 March 2010, 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

	<b>2010</b> <b>£'000</b>	<b>2009</b> <b>£'000</b>
Net incoming resources from operations	14,970	14,315
Investment income	(486)	(1,390)
Depreciation charges	1,871	1,095
Loss/(gain) on disposal of tangible fixed assets	-	1
(Increase)/decrease in debtors	(165)	26
(Decrease)/increase in creditors and provisions	(62)	5,714
Net cash inflow from operating activities	<u>16,128</u>	<u>19,761</u>

## Notes to the accounts continued

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

	2010 £'000	2009 £'000
Increase in cash in year	14,967	15,961
Net funds at 1 April	45,277	29,316
Net funds at 31 March	<u>60,244</u>	<u>45,277</u>

### 25 Analysis of changes in net funds

	1 Apr 09 £'000	Cash flows £'000	31 Mar 10 £'000
Cash at bank and in hand	45,277	14,967	60,244
Total	<u>45,277</u>	<u>14,967</u>	<u>60,244</u>

### 26 Leasing commitments

At 31 March 2010 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	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Operating leases which expire:				
• Within one year	-	-	9	66
• In the second to fifth years inclusive	-	-	6	6
• In more than five years	<u>1,119</u>	<u>1,119</u>	-	-
Annual commitment at year end	<u>1,119</u>	<u>1,119</u>	<u>15</u>	<u>72</u>

The NMC leases premises at 61 Aldwych, for the period until 10 September 2019.

## 27 Movement in restricted funds

	Balance at 1 Apr 09 £'000	Income £'000	Resources expended £'000	Balance at 31 March 10 £'000
Revalidation – (i)	500	-	(179)	321
Dept of Health contribution – (ii)	-	50	-	50
<b>Balance at 31 March</b>	<b>500</b>	<b>50</b>	<b>(179)</b>	<b>371</b>

- (i) The balance of £500,000 at 1 April 2009 related to a Department of Health contribution towards the work of revalidation. £179,000 was utilised during 2009–2010. The balance brought forward of £321,000 will be utilised in 2010–2011.
- (ii) During 2009–2010 the Department of Health contributed £50,000 towards the work of the role of the nurse in adult safeguarding. This work will be conducted in 2010–2011.

## 28 Net Assets by fund

	General unrestricted £'000	Restricted £'000	Total £'000
Fixed assets	18,566	-	18,566
Current assets	60,469	371	60,840
Current liabilities	(36,978)	-	(36,978)
Long-term liabilities	(100)	-	(100)
Balance at 31 March 2010	<b>41,957</b>	<b>371</b>	<b>42,328</b>

## 29 Special payments

Special payments in the year to 31 March 2010 totalled less than £250,000 (year to 31 March 2009 three payments totalling £231,152).

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

Their Lordships make the following determination in exercise of powers conferred by article 52(1) of the Nursing and Midwifery Order 2001.<sup>2</sup>

**This determination has effect from 23 February 2010.**

### Interpretation

**1. In this Determination**

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

**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.

<sup>2</sup> S.I.2002/253.

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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: 22 February 2010

**On Behalf of the Privy Council**

**Signed by Ceri King**

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The NMC annual report and accounts for 2009–2010 is available on our website at [www.nmc-uk.org](http://www.nmc-uk.org)

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