

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

3. BRANCH RETURNS

The income and expenditure account includes:

- a) The income and expenditure of headquarters
- b) The income and expenditure of 139 (2018: 140) branches
- c) Amounts received at headquarters from the branches that have not submitted accounts

The total cash at bank and in-hand shown in the group balance sheet of £4,662,631 (2018: £1,936,051) includes the £435,617 (2018: £421,713) held by branches.

4. INCOME

	2019 £	2018 £
Membership subscriptions	8,664,268	8,612,158
Conference income	74,160	104,814
Income raised by branches	40,415	37,768
Donations and legacies	31,193	38,267
Commercial partnership income	342,905	395,121
Project income	234,384	344,064
Other income	22,721	5,687
MIDIRS	202,131	-
Journal/website income	108,515	135,450
Consultancy/accreditation	26,475	30,281
	<u>9,747,167</u>	<u>9,703,610</u>

5. STAFF COSTS AND NUMBERS

	2019 £	2018 £
Wages and salaries	4,057,061	3,656,762
Social security costs	390,691	355,436
Pension costs	769,782	830,322
	<u>5,217,534</u>	<u>4,842,520</u>

Full-time equivalent employed at 31 December 2019 No

Professional	<u>83</u>	<u>74</u>
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The salary cost for the key management personnel during the year was £634,285 (2018: £530,099). The figure is inclusive of pension benefits; no other employee benefits were paid. There were no redundancy payments in the year (2018: £20,012).

6. INTEREST RECEIVABLE

	2019	<i>2018</i>
	£	<i>£</i>
Bank and building society interest	<u>2,444</u>	<u>4,452</u>

7. SURPLUS ON ORDINARY ACTIVITIES

	2019	<i>2018</i>
	£	<i>£</i>
This is stated after charging		
Auditor's remuneration		
– audit	34,800	30,320
– other services – taxation	17,320	7,380
Operating lease rentals		
– plant and machinery	16,000	15,952
– land and buildings	215,833	55,833
Depreciation	<u>201,675</u>	<u>42,933</u>

THE ROYAL COLLEGE OF MIDWIVES

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

8. REMUNERATION OF MEMBERS OF THE RCM BOARD

No member of the RCM Board received any remuneration from the RCM 2019 : nil (2018: nil) except for reimbursement of their travelling expenses totalling £10,515 (2018: £10,349).

9. RESULTS FOR THE FINANCIAL PERIOD

In accordance with the exemptions allowed by Section 408 of the Companies Act 2006, the RCM has not presented its own profit and loss account. The RCM's unconsolidated surplus for the year was £2,423,900 and the total turnover was £12,023,189.

10. TANGIBLE FIXED ASSETS

	Freehold land and building	Short- leasehold property	Furniture and office equipment	Total	Intangibles
	£	£	£	£	£
Cost or valuation					
At 1 January 2019	155,000	1,465,925	353,175	1,974,100	553,212
Additions	-	-	-	0	129,524
Disposal	-	(1,465,925)	-	(1,465,925)	-
At 31 December 2019	<u>155,000</u>	<u>-</u>	<u>353,175</u>	<u>508,175</u>	<u>682,736</u>
Depreciation and amortisation					
At 1 January 2019	50,517	557,453	330,998	938,968	-
Charge for the year	1,923	16,131	12,938	30,992	170,683
Disposal	-	(573,584)	-	(573,584)	-
At 31 December 2019	<u>52,440</u>	<u>-</u>	<u>343,936</u>	<u>396,376</u>	<u>170,683</u>
Net book value					
At 31 December 2019	<u>102,560</u>	<u>-</u>	<u>9,239</u>	<u>111,799</u>	<u>512,053</u>
<i>At 31 December 2018</i>	<u>104,483</u>	<u>908,472</u>	<u>22,177</u>	<u>1,035,132</u>	<u>553,212</u>

At 31 December 2019, there were capital commitments contracted for of £0 (2018: £121,500).

THE ROYAL COLLEGE OF MIDWIVES

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

11. FIXED-ASSET INVESTMENT

	Group 2019 £	<i>Group 2018 £</i>	RCM 2019 £	<i>RCM 2018 £</i>
Market value at start of period	5,802,171	6,109,862	4,973,185	4,850,365
Additions	2,159,170	1,001,591	1,796,142	1,039,884
Disposals	(2,208,672)	(830,390)	(1,849,861)	(517,598)
Gains	513,206	(478,892)	445,346	(399,466)
Market value at 31 December	<u>6,265,875</u>	<u>5,802,171</u>	<u>5,364,812</u>	<u>4,973,185</u>
Historical cost at 31 December	<u>5,796,340</u>	<u>5,738,600</u>	<u>4,965,300</u>	<u>4,942,042</u>

Investments are held in a mixture of unit trusts managed by Cazenove Capital.

12. DEBTORS

	Group 2019 £	<i>Group 2018 £</i>	RCM 2019 £	<i>RCM 2018 £</i>
Amounts due from RCMT	-	-	355,033	54,814
Other debtors	495,218	243,229	178,609	197,765
Prepayments	129,419	126,750	113,383	126,111
	<u>624,637</u>	<u>369,979</u>	<u>647,025</u>	<u>378,690</u>

13. CREDITORS: Amounts falling due within one year

	Group 2019 £	<i>Group 2018 £</i>	RCM 2019 £	<i>RCM 2018 £</i>
Subscriptions in advance	4,648	3,302	4,648	3,302
Trade creditors	364,351	558,040	306,316	536,060
Other taxation and social security	89,308	97,133	88,569	97,133
Accruals	318,577	292,449	273,030	257,090
Deferred income	336,743	238,664	65,697	108,620
	<u>1,113,627</u>	<u>1,189,588</u>	<u>738,260</u>	<u>1,002,205</u>

THE ROYAL COLLEGE OF MIDWIVES

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

14. PENSIONS

The RCM operates a defined benefit scheme in the UK. This is a separate trustee-administered fund that holds the pension scheme assets to meet long-term pension liabilities. A full actuarial valuation is being carried out at 31 March 2019 and the preliminary results have been updated to 31 December 2019 by a qualified actuary, independent of the scheme's sponsoring employer. The major assumptions used by the actuary are shown below. Note the surplus for 2019 is not considered a recoverable amount and therefore has not been recognised in the financial statements in accordance with FRS 102.

The most recently completed actuarial valuation as at 31st March 2016 showed a deficit of £1,448,000. The RCM has agreed with the trustees that it will aim to eliminate the deficit over a period of three years and three months from 30 June 2017, by the payment of contributions of £213,784 per annum, payable in equal monthly instalments. In addition, and in accordance with the schedule of contributions, the RCM has agreed with the trustees that it will pay 18.6% of pensionable pay in respect of the cost of accruing benefits, death in service benefits and expenses, and in addition it will meet levies to the pension protection fund. Member contributions are payable in addition at the rate of 7% of pensionable pay.

PRESENT VALUES OF DEFINED BENEFIT OBLIGATION, FAIR VALUE OF ASSETS AND DEFINED BENEFIT ASSET/(LIABILITY)

	31 December 2019 £'000s	31 December 2018 £'000s
Fair value of plan assets	38,710	33,764
Present value of defined benefit obligation liabilities	34,571	31,353
Unrecognised surplus	4,139	2,411
Surplus in plan	4,139	2,411
Defined benefit asset (liability)	-	-

RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE DEFINED BENEFIT OBLIGATION

	31 December 2019 £'000s	<i>31 December 2018 £'000s</i>
Defined benefit obligation at start of period	31,353	32,411
Current service cost	681	697
Expenses	84	84
Interest expense	876	771
Contributions by plan participants	241	184
Actuarial losses / gains	2,470	(1,288)
Benefits paid and expenses	(1,134)	(1,506)
Defined benefit obligation at end of period	34,571	31,353

THE ROYAL COLLEGE OF MIDWIVES

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

14. PENSIONS (CONTINUED)

The English High Court ruling in Lloyds Banking Group Pension Trustees Limited v Lloyds Bank plc and others was published on 26 October 2018, and held that UK pension schemes with Guaranteed Minimum Pensions (GMPs) accrued from 17 May 1990 must equalise for the different effects of these GMPs between men and women. The case also gave some guidance on related matters, including the methods for equalisation.

The trustees of the scheme will need to obtain legal advice covering the impact of the ruling on this scheme, before deciding with the college on the method to adopt. The legal advice will need to consider (amongst other things) the appropriate GMP equalisation solution, whether there should be a time limit on the obligation to make back-payments to members (the "look-back" period) and the treatment of former members (members who have died without a spouse and members who have transferred out for example).

The benefit obligations have been adjusted assuming the following:

- The minimum allowable method will be applied to past and future benefit payments
- There will be no limit on the "look-back" period for rectification
- No allowance is made for members who no longer have GMP liabilities within the scheme (members who have died without a spouse and members who have transferred out for example).

The allowance of 0.08% has been estimated based on average impacts for schemes with similar benefit structure, allowing for the profile of the membership. This is consistent with the allowance within the preliminary valuation results of the 31 March 2019 valuation and the accounting disclosures prepared as at 31 December 2019.

RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE FAIR VALUE OF PLAN ASSETS

	2019 £'000s	2018 £'000s
<i>Fair value of plan assets at start of period</i>	33,764	35,717
<i>Interest income</i>	945	850
<i>Actuarial gains</i>	4,039	(2,231)
<i>Contributions by RCM</i>	855	750
<i>Contributions by plan participants</i>	241	184
<i>Benefits paid and expenses</i>	(1,134)	(1,506)
	<hr/>	<hr/>
Fair value of plan assets at end of period	38,710	33,764

The actual return on the plan assets over the period ending 31 December 2019 was £4,984,000 (2018: £1,381,000).

DEFINED BENEFIT COSTS RECOGNISED IN PROFIT AND LOSS ACCOUNT

	2019 £'000s	<i>2018</i> <i>£'000s</i>
Current service cost	681	697
Expenses	84	84
Net interest cost	-	-
Defined benefit costs recognised in profit and loss account	<u>765</u>	<u>781</u>

THE ROYAL COLLEGE OF MIDWIVES
NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

14. PENSIONS (CONTINUED)

DEFINED BENEFIT COSTS RECOGNISED IN OTHER COMPREHENSIVE INCOME

	2019	<i>2018</i>
	£'000	<i>£'000</i>
Return on plan assets (excluding amounts included in net interest cost) gain		
Amount gain	4,039	<i>(2,231)</i>
Experience gains and (losses) arising on the plan liabilities:		
Amount gain	(1,176)	<i>(143)</i>
Effects of changes in the demographic and financial assumptions underlying the present value of the plan liabilities:		
Amount gain/(loss)	(1,294)	<i>1,431</i>
Effects of changes in the amount of surplus that is not recoverable (excluding amounts included in net interest cost) (loss)	1,659	<i>974</i>
 Total amount recognised in other comprehensive income	 <u>(90)</u>	 <u><i>31</i></u>

ASSETS

	2019	<i>2018</i>
	£'000	<i>£'000</i>
UK equities	6,744	<i>4,731</i>
Overseas equities	6,744	<i>4,731</i>
Corporate bonds	5,395	<i>4,053</i>
Diversified growth funds	9,262	<i>7,739</i>
Property	2,685	<i>2,606</i>
Cash	30	<i>11</i>
Insured pensioners	218	<i>244</i>
LDI	<u>7,632</u>	<u><i>9,649</i></u>
 TOTAL ASSETS	 <u>38,710</u>	 <u><i>33,764</i></u>

None of the fair values of the assets shown above includes any direct investments in the RCM's own financial instruments or any property occupied by, or other assets used by, the RCM.

THE ROYAL COLLEGE OF MIDWIVES

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

14. PENSIONS (CONTINUED)

ASSUMPTIONS

	% per annum	% per annum
	2019	2018
Rate of discount	2.00	2.80
Inflation (RPI)	2.85	3.25
Inflation (CPI)	2.05	2.25
Salary growth	2.85	3.25
Allowance for revaluation of deferred pensions of CPI or 5% p.a. if less, minimum 3% p.a.	n/a	3.00
Allowance for revaluation of deferred pensions of RPI or 5% p.a. if less, minimum 3% p.a.	3.00	n/a
Allowance for revaluation of deferred pensions of RPI or 5% p.a. if less	2.85	n/a
Allowance for pension in payment increases of RPI or 5% p.a. if less	2.80	3.25
Allowance for pension in payment increases of CPI or 3% p.a. if less	1.80	2.25
Allowance for pension in payment increases of CPI or 5% p.a. if less	2.10	2.25
Allowance for commutation of pension for cash at retirement	90% of members commute 25% of their pension	90% of members commute 25% of their pension

The mortality assumptions adopted at 31 December 2018 imply the following life expectancies:

Male retiring in 2019	21.9
Female retiring in 2019	24.2
Male retiring in 2039	23.3
Female retiring in 2039	25.6

The best estimate of contributions to be paid by the employer for the period commencing 1 January 2020 is £777,500 (2018: £799,000).

THE ROYAL COLLEGE OF MIDWIVES
NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

15. MOVEMENT ON RESERVES

	<i>1 January</i> <i>2019</i> £	Movement in the period £	Gains realised £	Revaluation £	31 December 2019 £
SPECIFIC FUNDS					
Revaluation reserve	879,627	-	(879,627)	-	-
Headquarters specific fund	99,186	(802)	-	7,821	106,205
Headquarters benevolent fund	641,871	(2,584)	-	43,511	687,966
TOTAL SPECIFIC FUNDS	<u>1,620,684</u>	<u>1,782</u>	<u>(879,627)</u>	<u>51,332</u>	<u>794,171</u>
GENERAL FUNDS					
General funds – HQ	6,466,906	(188,749)	3,187,288	461,874	9,927,319
General funds – branches	419,367	14,815	-	-	434,182
	<u>6,886,273</u>	<u>(173,934)</u>	<u>3,187,288</u>	<u>461,874</u>	<u>10,361,501</u>
TOTAL SPECIFIC AND GENERAL	<u>8,506,957</u>	<u>(172,152)</u>	<u>2,307,661</u>	<u>513,206</u>	<u>11,155,672</u>
Pension fund reserve	-	90,000	-	(90,000)	-
TOTAL FUNDS	<u>8,506,957</u>	<u>(82,152)</u>	<u>2,307,661</u>	<u>423,206</u>	<u>11,155,672</u>

16. FINANCIAL COMMITMENTS

At 31 December 2019, the group and company had the following annual commitments under non-cancellable operating leases expiring as follows:

	Land and building		Furniture and equipment	
	2019 £	2018 £	2019 £	2018 £
In less than one year	215,833	55,833	13,505	13,457
Within two to five years	-	55,833	2,495	2,495
In more than five years	-	-	-	-

THE ROYAL COLLEGE OF MIDWIVES
NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

17. RECONCILIATION OF OPERATING SURPLUS TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2019	2018
	£	£
Operating surplus	(301,590)	4,593
Depreciation	201,675	42,933
(Increase)/decrease in debtors	(254,658)	217,481
Increase in creditors	(75,959)	116,927
Charitable grants paid	(44,558)	(25,795)
Pension current costs	765,000	781,000
Contribution by employer	(855,000)	(750,000)
	<u>(565,090)</u>	<u>387,139</u>

18. ANALYSIS OF BANK BALANCES AND CHANGES IN THE YEAR

	2018	Change in Year	2019
	£	£	£
Cash at bank and in hand	1,936,051	<u>2,726,580</u>	<u>4,662,631</u>

19. SUBSIDIARY UNDERTAKINGS

The RCM is the ultimate parent entity of the RCM Group. At 31 December 2019, the RCMT, RCM Trust Trading Company Limited and RCM Information Services Ltd formed part of the consolidated financial statements. The RCMT is controlled by the same board as the RCM, and the RCMT holds 100% of the share capital of RCM Trust Trading Company Limited and RCM Information Services Ltd. All subsidiaries are registered in the UK and have the same registered office as the RCM.

THE ROYAL COLLEGE OF MIDWIVES

COMPANY STATEMENT TO MEMBERS

FOR THE YEAR ENDED 31 DECEMBER 2019

SECTION 32A(6)(A) OF THE TRADE UNION AND LABOUR RELATIONS (CONSOLIDATION) ACT 1992 AS AMENDED BY THE EMPLOYMENT RELATIONS ACT 1999

- a) Total income and expenditure of the trade union for the period ended 31 December 2019:

Income	£12,023,189
Expenditure	£9,599,289

- b) The total income for the union for the period ended 31 December 2019 includes £8,664,268 of payments in respect of membership.
- c) The union has no political fund.
- d) The CEOs (whose role includes that of general secretary) received a gross salary of £168,587 for the 12-month period, which includes benefits consisting of pension contributions.

It should be noted that the CEO's salary is associated with all the activities of the RCM and not just the trade union. No salary or other benefits were received by the president or any members of the RCM Board.

A member who is concerned that some irregularity may be occurring, or may have occurred, in the conduct of the financial affairs of the union may take steps with a view to investigating further, obtaining clarification and, if necessary, securing regularisation of that conduct.

The member may raise any such concern with one or more of the following (as appropriate): the officials of the union, the trustees of the property of the union, the auditor or auditors of the union, or the certification officer (who is an independent officer appointed by the secretary of state) or the police.

Where a member believes that the financial affairs of the union have been or are being conducted in breach of the law or in breach of the rules of the union, and contemplates bringing civil proceedings against the union or responsible officials or trustees, he/she should consider obtaining independent legal advice.