

# THE ROYAL COLLEGE OF MIDWIVES

## NOTES TO THE ACCOUNTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2020

#### BRANCH RETURNS

The income and expenditure account includes:

- a) The income and expenditure of headquarters
- b) The income and expenditure of 145 (2019: 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 £4,821,976 (2019: £4,662,631 ) includes the £468,361 (2019: £435,617 ) held by branches.

#### 4. INCOME

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Membership subscriptions	9,217,837	8,664,268
Conference income	49,838	74,160
Income raised by branches	17,583	40,415
Donations and legacies	222,812	31,193
Commercial partnership income	279,750	342,905
Project income	176,003	234,384
Other income	34,014	22,721
MIDIRS	369,897	202,131
Journal/website income	148,957	108,515
Consultancy/accreditation	3,184	<u>26,475</u>
	<b><u>10,519,875</u></b>	<b><u>9,747,167</u></b>

**THE ROYAL COLLEGE OF MIDWIVES**

**NOTES TO THE ACCOUNTS (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2020**

**5. STAFF COSTS AND NUMBERS**

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Wages and salaries	4,170,015	4,057,061
Social security costs	410,626	390,691
Pension costs	883,258	769,782
	<b><u>5,463,899</u></b>	<b><u>5,217,534</u></b>

Full-time equivalent employed at 31 December 2020

Professional	81	<u>88</u>
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The salary cost for the key management personnel during the year was £666,426 (2019: £634,285 ). The figure is inclusive of pension benefits; no other employee benefits were paid. There were no redundancy payments in the year (2019: £20,012).

**6. INTEREST RECEIVABLE**

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Bank and building society interest	<u>4,926</u>	<u>2,444</u>

**7. SURPLUS ON ORDINARY ACTIVITIES**

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
This is stated after charging		
Auditor's remuneration		
– audit	36,510	34,800
– other services – taxation	17,162	17,320
Operating lease rentals		
– plant and machinery	13,816	16,000
– land and buildings	181,511	215,833
Depreciation	259,375	201,675

**THE ROYAL COLLEGE OF MIDWIVES**

**NOTES TO THE ACCOUNTS (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2020**

**8. REMUNERATION OF MEMBERS OF THE RCM BOARD**

No member of the RCM Board received any remuneration from the RCM 2020 : nil (2019: nil) except for reimbursement of their travelling expenses totaling £5,261 (2019: £24,409).

**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 £1,043,834 and the total turnover was £10,014,763.

**10. TANGIBLE AND INTANGIBLE FIXED ASSETS**

	Freehold land and building	Leasehold – Union Street	Furniture and office equipment	Total	Intangibles
	£	£	£	£	£
<b>Cost or valuation</b>					
At 1 January 2020	155,000	-	353,176	508,176	682,736
Additions	-	852,305	72,839	925,145	46,994
Disposal	-	-	(177,884)	(177,884)	-
<b>At 31 December 2020</b>	<b><u>155,000</u></b>	<b><u>852,305</u></b>	<b><u>248,131</u></b>	<b><u>1,255,437</u></b>	<b><u>729,730</u></b>
<b>Depreciation and amortisation</b>					
At 1 January 2020	52,440	-	343,936	396,376	170,683
Charge for the year	1,923	15,377	14,497	31,797	227,578
Disposal	-	-	(177,884)	(177,884)	-
<b>At 31 December 2020</b>	<b><u>54,363</u></b>	<b><u>15,377</u></b>	<b><u>180,549</u></b>	<b><u>250,289</u></b>	<b><u>398,261</u></b>
<b>Net book value</b>					
<b>At 31 December 2020</b>	<b><u>100,637</u></b>	<b><u>836,928</u></b>	<b><u>67,582</u></b>	<b><u>1,005,148</u></b>	<b><u>331,469</u></b>
<i>At 31 December 2019</i>	<u>102,560</u>	-	<u>9,239</u>	<u>111,799</u>	<u>512,053</u>

At 31 December 2020, there were capital commitments contracted for of £0 (2019: £121,500).

# THE ROYAL COLLEGE OF MIDWIVES

## NOTES TO THE ACCOUNTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2020

#### 11. FIXED-ASSET INVESTMENTS

	<b>Group</b> <b>2020</b> <b>£</b>	<i>Group</i> <i>2019</i> <i>£</i>	<b>RCM</b> <b>2020</b> <b>£</b>	<i>RCM</i> <i>2019</i> <i>£</i>
Market value at start of period	6,265,875	5,802,171	5,364,812	4,973,185
Additions	2,194,692	2,159,170	1,897,091	1,796,142
Disposals	(1,884,770)	(2,208,672)	(1,627,545)	(1,849,861)
Gains	347,933	<u>513,206</u>	308,044	<u>445,346</u>
<b>Market value at 31 December</b>	<b><u>6,923,730</u></b>	<b><u>6,265,875</u></b>	<b><u>5,942,402</u></b>	<b><u>5,364,812</u></b>
Historical cost at 31 December	<u>6,077,533</u>	<u>5,796,340</u>	<u>5,207,398</u>	<u>4,965,300</u>

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

#### 12. DEBTORS

	<b>Group</b> <b>2020</b> <b>£</b>	<i>Group</i> <i>2019</i> <i>£</i>	<b>RCM</b> <b>2020</b> <b>£</b>	<i>RCM</i> <i>2019</i> <i>£</i>
Amounts due from RCMT			313,017	355,033
Other debtors	392,444	495,218	129,245	178,609
Prepayments	111,390	<u>129,419</u>	109,571	<u>113,383</u>
	<b><u>503,834</u></b>	<b><u>624,637</u></b>	<b><u>551,836</u></b>	<b><u>647,025</u></b>

#### 13. CREDITORS: Amounts falling due within one year

	<b>Group</b> <b>2020</b> <b>£</b>	<i>Group</i> <i>2019</i> <i>£</i>	<b>RCM</b> <b>2020</b> <b>£</b>	<i>RCM</i> <i>2019</i> <i>£</i>
Subscriptions in advance	7,507	4,648	7,507	4,648
Trade creditors	403,159	364,351	358,981	306,316
Other taxation and social security	124,401	89,308	126,754	88,569
Accruals	366,878	318,577	353,189	273,030
Deferred income	307,495	<u>336,743</u>	32,056	<u>65,697</u>
	<b><u>1,209,440</u></b>	<b><u>1,113,627</u></b>	<b><u>878,487</u></b>	<b><u>738,260</u></b>

# THE ROYAL COLLEGE OF MIDWIVES

## NOTES TO THE ACCOUNTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2020

#### 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 2020 and the preliminary results have been updated to 31 December 2020 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 2020 is not considered a recoverable amount and therefore has not been recognised in the financial statements in accordance with FRS 102. There is a difference between accounting and actuarial valuation.

This most recent actuarial valuation showed a surplus of £976,000. The RCM has agreed with the trustees that it will continue to pay contributions of £213,784 per annum in equal monthly instalments until 30 September 2020 with no deficit funding contributions due thereafter. In addition, and in accordance with the actuarial valuation, 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 until 30 September 2020 and 26.1% of pensionable pay thereafter. In addition, the RCM will pay any 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)

	<b>31 December 2020 £'000s</b>	31 December 2019 £'000s
Fair value of plan assets	42,317	38,710
Present value of defined benefit obligation liabilities	38,836	34,571
Unrecognised surplus	3,481	4,139
Surplus in plan	3,481	4,139
Defined benefit asset (liability)	-	-

#### RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE DEFINED BENEFIT OBLIGATION

	<b>31 December 2020 £'000s</b>	<i>31 December 2019 £'000s</i>
Defined benefit obligation at start of period	34,571	31,353
Current service cost	747	681
Expenses	120	84
Interest expense	689	876
Contributions by plan participants	265	241
Actuarial losses / gains	3,795	2,470
Benefits paid and expenses	(1,351)	(1,134)
Defined benefit obligation at end of period	38,836	34,571

# THE ROYAL COLLEGE OF MIDWIVES

## NOTES TO THE ACCOUNTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2020

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#### 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 employer on the method to adopt. An allowance for the additional liabilities as a result of this ruling is included within the defined benefit obligation.

The defined benefit cost for the fiscal year ending on the 31 December 2020 does not include any past service cost arising following a High Court case on 20 November 2020 which ruled that transfers out of the Plan, between 17 May 1990 and 28 October 2018, need to be revisited and equalised for GMP (if applicable), given that the impact of this ruling is assumed to be immaterial to the scheme.

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

	<b>2020</b>	<i>2019</i>
	<b>£'000s</b>	<i>£'000s</i>
Fair value of plan assets at start of period	38,710	33,764
Interest income	773	945
Actuarial gains	2,995	4,039
Contributions by RCM	925	855
Contributions by plan participants	265	241
Benefits paid and expenses	<u>(1,351)</u>	<u>(1,134)</u>
Fair value of plan assets at end of period	<u>42,317</u>	<u>38,710</u>

The actual return on the plan assets over the period ending 31 December 2020 was £3,768,000 (2019: £4,984,000).

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#### 14. DEFINED BENEFIT COSTS RECOGNISED IN PROFIT AND LOSS ACCOUNT

**THE ROYAL COLLEGE OF MIDWIVES**

**NOTES TO THE ACCOUNTS (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2020**

	<b>2020</b> <b>£'000s</b>	<i>2019</i> <i>£'000s</i>
Current service cost	747	681
Expenses	120	84
Net interest cost	-	-
Defined benefit costs recognised in profit and loss account	<u>867</u>	<u>765</u>

**DEFINED BENEFIT COSTS RECOGNISED IN OTHER COMPREHENSIVE INCOME**

	<b>2020</b> <b>£'000</b>	<i>2019</i> <i>£'000</i>
Return on plan assets (excluding amounts included in net interest cost) gain		
Amount gain	2,995	4,039
Experience gains and (losses) arising on the plan liabilities:	96	(1,176)
Amount gain		
Effects of changes in the demographic and financial assumptions underlying the present value of the plan liabilities:	(3,891)	(1,294)
Amount gain/(loss)		
Effects of changes in the amount of surplus that is not recoverable (excluding amounts included in net interest cost) (loss)	742	1,659
Total amount recognised in other comprehensive income	(58)	(90)

**THE ROYAL COLLEGE OF MIDWIVES**

**NOTES TO THE ACCOUNTS (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2020**

**ASSETS**

	<b>2020</b>	2019
	<b>£'000</b>	<b>£'000</b>
UK equities	7,076	6,744
Overseas equities	7,076	6,744
Corporate bonds	6,054	5,395
Diversified growth funds	9,321	9,262
Property	2,601	2,685
Cash	32	30
Insured pensioners	214	218
LDI	9,943	7,632
<b>TOTAL ASSETS</b>	<b>42,317</b>	<b>38,710</b>

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.

**ASSUMPTIONS**

	<b>% per annum</b>	<i>% per annum</i>
	<b>2020</b>	<i>2019</i>
Rate of discount	1.40	2.00
Inflation (RPI)	2.95	2.85
Inflation (CPI)	2.45	2.05
Salary growth	2.95	2.85
Allowance for revaluation of deferred pensions of CPI or 5% p.a. if less, minimum 3% p.a.	n/a	n/a
Allowance for revaluation of deferred pensions of RPI or 5% p.a. if less, minimum 3% p.a.	3.00	3.00



**THE ROYAL COLLEGE OF MIDWIVES**

**NOTES TO THE ACCOUNTS (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2020**

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Allowance for revaluation of deferred pensions of RPI or 5% p.a. if less	2.95	2.85
Allowance for pension in payment increases of RPI or 5% p.a. if less	2.85	2.80
Allowance for pension in payment increases of CPI or 3% p.a. if less	2.05	1.80
Allowance for pension in payment increases of CPI or 5% p.a. if less	2.45	2.10
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 2020 imply the following life expectancies:

Male retiring in 2020	21.9
Female retiring in 2040	24.2
Male retiring in 2020	23.3
Female retiring in 2040	25.6

The best estimate of contributions to be paid by the employer for the period commencing 1 January 2021 is £891,400 (2019: £777,500 ).

THE ROYAL COLLEGE OF MIDWIVES

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

15. MOVEMENT ON RESERVES

	1 January 2020 £	Movement in the period £	Gains realised £	Revaluation £	31 December 2020 £
<b>SPECIFIC FUNDS</b>					
Headquarters specific fund	106,205	(806)	(2,431)	6,537	109,505
Headquarters benevolent fund	687,966	54,693	(11,763)	37,714	768,610
<b>TOTAL SPECIFIC FUNDS</b>	<b><u>794,171</u></b>	<b><u>53,887</u></b>	<b><u>(14,194)</u></b>	<b><u>44,251</u></b>	<b><u>878,115</u></b>
<b>GENERAL FUNDS</b>					
General funds – HQ	9,835,015	878,144	(107,764)	425,701	11,031,096
General funds – branches	434,182	33,383	-	-	467,565
	<b><u>10,269,197</u></b>	<b><u>911,527</u></b>	<b><u>(107,764)</u></b>	<b><u>425,701</u></b>	<b><u>11,498,661</u></b>
<b>TOTAL SPECIFIC AND GENERAL</b>	<b><u>11,063,368</u></b>	<b><u>965,414</u></b>	<b><u>(121,958)</u></b>	<b><u>469,952</u></b>	<b><u>12,376,776</u></b>
Pension fund reserve	-	58,000	-	(58,000)	-
<b>TOTAL FUNDS</b>	<b><u>11,063,368</u></b>	<b><u>1,023,414</u></b>	<b><u>(121,958)</u></b>	<b><u>411,952</u></b>	<b><u>12,376,776</u></b>

16. FINANCIAL COMMITMENTS

At 31 December 2020, the group and company had the following annual commitments under non-cancellable operating leases expiring as follows:

	Land and building		Furniture and equipment	
	2020 £	2019 £	2020 £	2019 £
In less than one year	32,160	215,833	583	13,505
Within two to five years	177,160	-	4,239	2,495
In more than five years	177,160	-	-	-

**THE ROYAL COLLEGE OF MIDWIVES**

**NOTES TO THE ACCOUNTS (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2020**

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

	<b>2020</b>	<i>2019</i>
	<b>£</b>	<i>£</i>
Operating surplus	929,809	<i>(301,590)</i>
Depreciation	259,375	<i>201,675</i>
(Increase)/decrease in debtors	120,803	<i>(254,658)</i>
Increase/(decrease) in creditors	95,813	<i>(75,959)</i>
Charitable grants paid	(24,105)	<i>(44,558)</i>
Pension current costs	867,000	<i>765,000</i>
Contribution by employer	(925,000)	<i>(855,000)</i>
	<b><u>1,323,695</u></b>	<i><u>(565,090)</u></i>

**18. ANALYSIS OF BANK BALANCES AND CHANGES IN THE YEAR**

	<i>2019</i>	<b>Change in year</b>	<b>2020</b>
	<i>£</i>	<b>£</b>	<b>£</b>
Cash at bank and in hand	<u>4,662,631</u>	<u>159,345</u>	<u>4,821,976</u>

**19. SUBSIDIARY UNDERTAKINGS**

The RCM is the ultimate parent entity of the RCM Group. At 31 December 2020, 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

## NOTES TO THE ACCOUNTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2020

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#### 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 2020:

Income £10,014,763  
Expenditure £8,970,929

- b) The total income for the union for the period ended 31 December 2020 includes £9,217,837 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 £160,285 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.