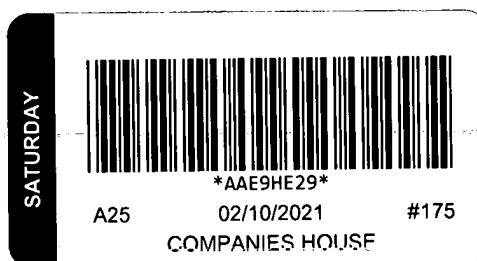


Company No: 00030157

THE ROYAL COLLEGE OF MIDWIVES

**DIRECTORS' REPORT AND
CONSOLIDATED ACCOUNTS**

FOR THE YEAR ENDED 31 DECEMBER 2020



THE ROYAL COLLEGE OF MIDWIVES
DIRECTORS' REPORT AND CONSOLIDATED ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2020

CONTENTS

	Page
DIRECTORS' REPORT	5
STRATEGIC REPORT	9
INDEPENDENT AUDITOR'S REPORT	18
CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT	21
STATEMENT OF OTHER COMPREHENSIVE INCOME	22
CONSOLIDATED BALANCE SHEET	23
PARENT BALANCE SHEET	24
CONSOLIDATED CASHFLOW STATEMENT	25
NOTES TO THE ACCOUNTS	26
COMPANY STATEMENT TO MEMBERS	39

THE ROYAL COLLEGE OF MIDWIVES
DIRECTORS' REPORT AND CONSOLIDATED ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2020

AUDITOR	Crowe U.K. LLP 55 Ludgate Hill London EC4M 7JW
BANKER	Unity Trust Bank plc PO Box 7193 Planetary Road Willenhall WV1 9DG
INVESTMENT MANAGER	Schroder & Co. Limited 31 Gresham Street London EC2V 7QA
REGISTERED OFFICE	10-18 Union Street London SE1 1SZ
SOLICITOR	Thompsons Solicitors Congress House Great Russell Street London WC1H 3LW

THE ROYAL COLLEGE OF MIDWIVES

CONTACT DETAILS

FOR THE YEAR ENDED 31 DECEMBER 2020

The RCM

The RCM is the voice of midwifery. We are the UK's only professional organisation and trade union led by midwives for midwives and the maternity teams that support them. The vast majority of people in the midwifery profession are members.

The RCM promotes midwifery, high-quality maternity services and professional standards. We support and represent our members individually and collectively in all four UK countries. We influence on behalf of our members and for the interests of the women and families for which they care.

0300 303 0444

info@rcm.org.uk

RCM London

10-18 Union Street
London
SE1 1SZ

RCM Scotland

37 Frederick Street
Edinburgh
EH2 1EP

RCM Northern Ireland

4 College House
Citylink Business Park
Belfast
BT12 4HQ

RCM Wales

Unit 13b Drake Walk
Brigantine Place
Atlantic Wharf
Cardiff
CF10 4AN

THE ROYAL COLLEGE OF MIDWIVES
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

DIRECTORS' REPORT

As the members of the Royal College of Midwives (RCM) Board (the directors under company law), we are pleased to present our report for the year ended 31 December 2020. The RCM is governed by the RCM Board.

PRINCIPAL ACTIVITIES

The RCM is a membership organisation, the objectives of which are to promote and advance the art and science of midwifery, and to promote the effectiveness and protect the interests of its members. The Royal College of Midwives Trust (RCMT) is a subsidiary of the RCM and is registered as a charity to promote and advance the art and science of midwifery and the effectiveness of midwives. The Benevolent Fund of the RCMT is a charity that provides financial relief to eligible applicants. RCM Trust Trading Company Limited conducts business and donates its profits to the RCMT. RCM Information Services Limited conducts business and donates its profits to the RCMT.

THE ROLE OF THE RCM BOARD

The RCM Board is responsible for the overall direction and control of the RCM. This includes ensuring that the RCM is efficient, effective, properly managed, supervised and accountable. The board provides long-term vision, ensures clarity of purpose, and protects the reputation and values of the RCM. It directs and controls its chief executive officer (CEO), Gill Walton, in leading the RCM to the board's vision. The board is the guardian of the RCM's assets and is responsible for ensuring that legal and regulatory requirements are met.

RCM BOARD MEMBERS

All members of the RCM Board are practicing midwives or maternity support workers who have been elected by members of the RCM. They are non-executive and receive no payment.

Members served for the entire year except where indicated otherwise.

Natalie Linder
Giuseppe Labriola - Chair
Tracy Miller
Pauline Twigg - Vice Chair
Janet Ballintine
Keelie Lorraine Barrett
Michelle Beacock
Sarah Jones
Neil Tomlin
Sascha Wells
Dee Davies
Kate Evans

THE ROYAL COLLEGE OF MIDWIVES
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

APPOINTMENT OF RCM BOARD MEMBERS

The RCM is a membership organisation whose board members are elected to office by members of the RCM. The board identifies the competencies required, and RCM members offering themselves for election are assessed by an independently chaired panel.

RCM members who are interested in developing the competencies required for board membership can visit our website, www.rcm.org.uk/rcm-board. Here, they will find detailed information about the commitment that board membership entails.

RCM BOARD MEETINGS

The RCM Board met seven times during the year, one of which was an induction meeting to introduce incoming members to each other and discuss their roles with the outgoing members. The overall attendance of board members was 89%.

RCM BOARD PERFORMANCE

2020 was the tenth anniversary of the RCM Board taking over governance from the former RCM Council.

RCM BOARD COMMITTEES

Board members serve on committees of the RCM Board. Members served for the entire year except where indicated.

AUDIT AND RISK COMMITTEE OF THE RCM BOARD

This committee oversees financial reporting; reviews the effectiveness of risk management, internal controls, compliance systems, and internal auditing; selects for appointment internal and external auditors; assesses the performance of the external auditor; develops and implements policy on the engagement of the external auditor to provide non-audit services; and reports to the board, including, where appropriate, making recommendations. The members during the year were:

Pauline Twigg – Deputy Chair
Sascha Wells – Chair
Dee Davies
Neil Tomlin

Tony Scott, having a professional background in finance and audit, served as an external member. The committee held four meetings during the year and the overall attendance of members was 90%.

THE ROYAL COLLEGE OF MIDWIVES
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

BOARD MEMBERSHIP, PERFORMANCE AND THE DEVELOPMENT COMMITTEE OF THE RCM BOARD

This committee deals with matters relating to membership of the RCM Board (including succession planning and arrangements for the assessment and election of candidates) and arrangements for evaluating the performance of the RCM Board, its members and its committees. The members during the year were:

Tracy Miller
Dr Susan Way
Giuseppe Labriola (Chair)
Keelie Barrett
Sarah Jones

The committee held four meetings during the year and the overall attendance of members was 85%.

CEO PERFORMANCE AND THE REMUNERATION COMMITTEE OF THE RCM BOARD

This committee has responsibilities in relation to the performance management of the CEO and the executive team. It also advises the RCM Board on the remuneration and policy for reimbursing the CEO's expenses. The members during the year were:

Dee Davies
Kate Evans
Giuseppe Labriola

The committee scheduled three meetings during the year and the overall attendance of members was 83%.

INVESTMENT COMMITTEE

This committee, on behalf of the board, manages the RCM's investments in accordance with the approved investment policy.

It held two meetings in 2020 and the overall attendance of members was 88%. The members during the year were:

Chris Truman, (COO)
Michelle Beacock
Tracy Miller (Chair)
Keelie Barrett

The committee is supported by David Baker, chief investments officer, Mazars, and Jeremy Barker, client director, Cazenove Schroders.

THE ROYAL COLLEGE OF MIDWIVES
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

STATEMENT OF THE RCM BOARD'S RESPONSIBILITIES

The RCM Board members are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the RCM Board to prepare financial statements for each financial year in accordance with the Generally Accepted Accounting Practice (UK Accounting Standards) and applicable law.

Under company law the RCM Board must not approve the financial statements unless satisfied that they give a true and fair view of the state of affairs of the company and of its net profit/loss for that period.

In preparing these financial statements, the RCM Board is required to do the following:

- Select suitable accounting policies and then apply them consistently
- Make judgements and estimates that are reasonable and prudent
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- Prepare the financial statements on the going-concern basis unless it is inappropriate to presume that the company will continue to operate

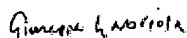
The RCM Board is responsible for keeping proper accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company, and that are sufficient to enable the board to ensure that the financial statements comply with the Companies Act 2006. The board is also responsible for safeguarding the assets of the company and, hence, for taking reasonable steps to enable the prevention and detection of fraud and other irregularities.

Insofar as each member of the RCM Board at the date of approval of this report is aware, there is no relevant audit information (information needed by the company's auditor in connection with preparing the audit report) of which the company's auditor is unaware. Each RCM Board member has taken all of the steps that they should have taken in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

AUDITOR

Crowe U.K. LLP has indicated its willingness to be reappointed as statutory auditor.

By order of the RCM Board



Giuseppe Labriola
Director

Date: 15th July 2

THE ROYAL COLLEGE OF MIDWIVES

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

The RCM is the largest representative of midwives in the UK, and has a role as both a trade union, affiliated to the TUC, and a professional association. For the past decade, maternity support workers (MSWs) have been welcomed into the RCM's membership. Despite the challenges of 2020, the RCM was able to continue its work in supporting and representing its members, demonstrating leadership not only in the sphere of maternity, but in the wider health sector. Thanks to the commitment of its staff team and the early investment in robust business continuity plans, RCM members saw no disruption to the service they received, albeit with events and meetings shifting online.

Strategic goals	Strategic objectives
1. To listen and learn from our members so that we can lead and influence effectively.	I. Proactively engaging and listening to members at local, regional, national and global events II. Actively lobbying/negotiating on the issues raised of importance to members in the 2019 Member Survey III. Reviewing the RCM's Professional offer (using consultation already taken place) with members from all areas of the profession. IV. Actively working to promote the benefit and need for strong midwifery leadership nationally, regionally and locally in each Trust/Board.
2. To deliver RCM products and services that offer value for money and meet the individual and collective needs of our members	I. Delivering new products and services while refreshing our existing offer to increase engagement with our members. II. Ensuring high quality and effective support to individual members through representation. III. Evidencing a growth in membership numbers across business-critical categories. IV. Gaining clarity on why members leave across all categories and analysing what control we have over member retention. V. Actively encouraging a range of member feedback methods including introducing and evaluating new methods.
3. To be a caring, well-led and well-managed organisation.	I. Ensuring the 2020 staff survey demonstrates a positive direction of travel from the trends set by the 2016-19 staff surveys. II. Continuing to demonstrate a positive direction of travel in internal and external audit reports. III. Implementing the RCM's People Plan. IV. Contributing to the long-term financial security of the RCM. V. Delivering the programmes and projects committed to in the business plan and evaluating those already delivered to demonstrate value.
4. To actively grow and build networks, alliances and partnerships.	I. Selectively encouraging collaborations that strategically enhance the profile and impact of the RCM and ending collaborations that do not meet these aims. II. Increasing the profile and impact of the RCM locally

THE ROYAL COLLEGE OF MIDWIVES
STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

The RCM's strategic objectives for 2020 were:

1.i. Proactively engaging and listening to members at local, regional and global events and through the membership survey.

- Despite the challenges posed by the pandemic, the RCM continued to work closely with its members, both through its branch network and individually. It also developed new networks to support its response to the pandemic, including working with Heads and Directors of Midwifery to understand the pressures faced by services.
- The RCM recruited its first Director of Communications & Engagement to help improve and drive the College's influence on the external environment and responsiveness to members' needs.
- In 2020, the RCM held a total of 582 events across the UK, including four national conferences – education, research, activists and annual – held across a mix of face-to-face (until mid March) and virtual settings.
- There were 84 events to celebrate MSW Week (maternity support workers), and a learning festival to support MSWs in their roles and progression.
- There were 85 International Day of the Midwife events.
- Membership reached 50,000 for the first time ever in 2020, placing it in the top 100 organisations in the UK by size of membership.

1.ii. Actively influencing/negotiating on the issues raised of importance to members in the 2019 membership survey.

- The predominant issue for the RCM throughout most of 2020 was the COVID-19 pandemic and its impact on our members. This crossed the boundaries of everything we do, from maternity services to midwifery education, and informed most of our activity across the year.
- The RCM was one of the first Royal Colleges to respond to the COVID-19 crisis, publishing its first FAQs for members and pregnant women in February 2020. From that point, the RCM has continued to provide practical guidance and support for its members delivering care, for midwifery students and their educators and for pregnant women. Much of this has been developed jointly with the Royal College of Obstetricians & Gynaecologists, ensuring an 'all of maternity' approach. The guidance, which responds to latest scientific evidence and government advice and legislation, is nationally recognised and has been lauded by the World Health Organization and the International Confederation of Midwives.
- Safety within maternity services has always been the RCM's paramount concern, and this was a key driver in its influencing of government throughout the crisis. From the very beginning, we called for staff working in maternity services to be recognised for their specialism and therefore ringfenced from any redeployment to other health or care provision. While there is no doubt that services continued to be stretched, this work enabled services to operate as safely as possible with an appropriate number of staff.
- We have provided advice to members working clinically and in all settings to enable them to work safely and to protect themselves and the women and families in their care. This has included advice on appropriate Personal Protective Equipment (PPE) for maternity staff, based on our intimate knowledge and understanding of situations and procedures.
- Away from the pandemic response, the RCM has continued to work closely with politicians across all the UK's parliaments and assemblies to influence the level of funding, investment and understanding of maternity services. We have provided both written and oral evidence to the House of Commons Select Committee on Health and Social Care's inquiry into maternity safety, as well as their inquiry on the NHS response to COVID-19.

THE ROYAL COLLEGE OF MIDWIVES
STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

- The RCM has responded to the initial report on the independent review of maternity services at the Shrewsbury and Telford Hospital NHS Trust (also known as the Ockenden Review). Our response has included providing support to members, particularly Heads and Directors of Midwifery, in delivering the recommendations within that review.

1.iii. Reviewing the RCM's Professional offer (using consultation already taken place) with members from all areas of the profession

- Despite the challenges posed by the pandemic, work continued to review the RCM's professional offer. The Executive team worked with internal and external stakeholders to develop a structure and remit that best meets the needs of the RCM's members and midwifery more generally.
- The results of that work, which will be rolled out in 2021, will reflect in the RCM's structure its role in driving professional midwifery practice, both in the UK and overseas. Underpinned by leadership and research, the four tenets of the RCM's professional offer will be education, regulation, professionalism and practice. The new structure will also draw together the RCM's international work, as part of the European Midwives Association and the International Confederation of Midwives and through its global programmes to support midwifery in developing nations.
- A further addition to the RCM's professional offer came as a result of the RCM's COVID-19 response. It established a new internal expert clinical advisory group (ECAG) to develop the guidance and support for members and review the growing evidence base around COVID-19. ECAG draws together the midwifery expertise across the staff body of the RCM.

1.v. Actively working to promote the benefit and need for strong midwifery leadership nationally, regionally and locally in each health Trust/Board.

- The RCM has continued to develop its leadership offer to its members, through a number of workshops, including bespoke workshops for individual teams with Trusts and Boards. The workshops reflect the differing needs of the workforce, from those with less experience to more senior midwives.
- At a national level, the RCM has continued to call for greater midwifery leadership within NHS Trusts and Boards, including the appointment of more consultant midwives and Directors of Midwifery who sit at board level.

2.i. Delivering new products and services while refreshing our existing offer to increase interaction with our members.

- The appointment of a new Associate Director of Communications (evolving into a substantive Director of Communications & Engagement in Q4) signalled a different approach to membership and stakeholder engagement in 2020. Although the global pandemic provided additional challenges, the more focused approach to communications within the College enabled it to respond more quickly and effectively to members' needs.
- The RCM was one of the first Royal Colleges to provide bespoke information to its members around COVID-19, leading the way in delivering practical guidance and advice. The development of a 'COVID hub' on its website ensured that midwives, maternity support workers and pregnant women had a trusted destination for up-to-date, relevant information. Supported by the Expert Clinical Advisory Group, the hub includes guidance, advice and other materials, such as public information posters, for use in maternity services.
- The COVID hub has provided a blueprint for more focused content across the RCM's website to meet members' needs more effectively. As a result, dwell time – time typically spent on the website by individual, unique users – increased by 150%.

The RCM has also revised the way in which it segments its membership for communication. It has

THE ROYAL COLLEGE OF MIDWIVES
STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

- improved its provision of e-news, direct to members' email inboxes, both in terms of content and frequency. This more targeted approach has led to an almost threefold increase in open rates.
- The RCM's social media presence has grown at a significant rate, with a greater focus on engagement rather than simply broadcasting content to members and stakeholders. Increased use of multimedia – including infographics and short videos – has also extended the RCM's reach.
- The pandemic has resulted in face-to-face events and training being paused for a significant proportion of 2020. However, this has also afforded the RCM the opportunity to review its events and training offer, including the way in which members can access it, which will be reflected in 2021.

2.ii. Ensuring high quality and effective support to our individual members through the representation we provide.

- As stated above, the RCM has worked hard to ensure its members have received the most appropriate and timely support throughout the pandemic. This has included support through its network of workplace representatives, who have continued to receive training and support, and directly through the RCM's regional and national officers.

2.iii. Evidencing a growth in membership numbers across business-critical categories.

- In Q4, the RCM achieved its long-held goal of a membership of 50,000, placing it in the top 100 membership organisations in the UK.
- The growth in members has come from full members – those who are fully qualified midwives, registered with the Nursing and Midwifery Council – and student members.
- Membership among maternity support workers remains static, with work planned for 2021 to explore the underlying reason for this and how it can be addressed.
- Recruitment of student members continues to be strong, despite the challenges posed by the pandemic. The lack of 'face to face' presence at universities has impacted on saturation – 62 per cent of first year students were recruited to the RCM in 2020 compared to 81 per cent in 2019 – engagement has been strong. It should also be noted, that there has been a split entry for first years – September and January – so many who were not recruited in the first tranche may be picked up in the second.

2.iv. Gaining clarity on the reasons members leave across all categories and analysing what control we have over member retention.

- Although membership numbers continue to grow, reaching 50,000 for the first time, work to understand the reasons why members leave is ongoing. Improved support at different career points is being developed.

2.v. Actively encouraging a range of member feedback methods including introducing and evaluating new methods.

- According to a survey undertaken by the RCM in Q3, 82% of members feel valued by their Royal College.
- In the same survey, three-quarters of members stated that the quality of information provided was good or better – and in many cases was rated more highly than the information provided by employers.
- As part of the RCM's COVID response, it established a 'touchstone' group of Heads and Directors of Midwifery from across England. The group provides candid feedback to the College on the range and quality of information and support being provided, both at a senior level and to midwives working clinically. The group will continue in 2021 as issues other than COVID-19 come to the fore.

THE ROYAL COLLEGE OF MIDWIVES
STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

- The RCM has also established a forum for all Heads and Directors of Midwifery across England. The group meets quarterly to discuss more strategic issues facing maternity services. Those discussions help to shape and influence the RCM's approach, both in terms of policy and engagement.
- 3.i. Ensuring the 2020 staff survey demonstrates a positive direction of travel from the trends set by the 2016-19 staff surveys.
- Staff satisfaction and engagement continues to be high, despite the very different circumstances of 2020.
 - The shift to Microsoft Teams has enabled staff to engage with each other much more flexibly and directly, even when working remotely. It has also focused communication across the organisation, allowing greater collaboration and input.
 - Staff have been well supported throughout the pandemic, with regular check-ins, surveys and support for line managers.
- 3.ii. Continuing to demonstrate improvement in internal and external audit reports.
- Despite COVID-19 impacting the delivery of the RCM's plans for 2020, all audit reports continue to give reassurance, with positive feedback from auditors.
- 3.iii. Developing and embarking on implementing the RCM's People Strategy.
- The RCM continued to invest in good quality recruitment in order to provide strong support for its members.
 - The appointment of a Human Resources Manager in Q2 has added capacity within the team and additional support for the implementation of the People Strategy.
 - A new pay and grading structure for RCM staff has been developed, with rollout in 2021. The structure underpins the People Strategy and will enable the RCM to attract and retain high quality staff.
- 3.iv. Contributing to the long-term financial security of the RCM.
- While much of 2020 has seen RCM staff working from home, there have been three changes of address for core parts of the College. The Northern Ireland and Wales teams have moved to more professional accommodation in Belfast and Cardiff respectively.
 - The biggest move was from Mansfield Street, the RCM's home for over six decades, to a new purpose-built headquarters near London Bridge. The new HQ is part of a 'women's health hub' established by the Royal College of Obstetricians & Gynaecologists and, as well as enabling greater collaboration between RCM staff due to its open plan layout, it will also support greater engagement with one of our closest partners.
 - The RCM continues to live within its means, with the office moves facilitating long term savings for the College.
- 3.v. Delivering the programmes and projects committed to in the business plan and evaluating those already delivered to demonstrate value.
- The pandemic has impacted the RCM's ability to deliver the programmes and projects outlined in the

THE ROYAL COLLEGE OF MIDWIVES
STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

business plan. However, the Race Matters programme, to increase and improve the RCM's representation of Black, Asian and minority ethnic midwives and maternity support workers, was launched in June 2020 and continues as a golden thread through all of the RCM's work.

4.i. Selectively encouraging collaborations that strategically enhance the profile and impact of the RCM and stopping collaborations that do not meet these aims.

- The relationship with the Royal College of Obstetricians & Gynaecologists has grown and deepened over 2020, with significant collaboration around the response to COVID-19. This has included joint guidance for all staff working in maternity services, underpinning the need for a multidisciplinary approach to the crisis.
- This partnership approach also led to the two Colleges submitting joint written and oral evidence to the House of Commons Select Committee on Health & Social Care's inquiry into maternity safety.
- The two Colleges continue to work together on the Tommy's National Centre for Maternity Improvement which was launched in 2019. The National Centre was established to improve safety, maternity care and to reduce stillbirth and preterm birth over a three-year period. The development of a new app for use by maternity staff and pregnant women continued apace throughout 2020. It will be piloted across a number of sites in 2021.
- The RCM has worked with campaigning charity Maternity Action on securing better financial support for women during pregnancy. This has taken on even more prescience during the pandemic, with the impact of furlough, redundancy and lack of support for the self-employed being felt disproportionately by pregnant women.
- With the current three-year NHS pay deal due to end in 2021, the RCM began its preparation for pay negotiations in the second half of 2020. As well as drawing together its own evidence on behalf of midwives and maternity support workers, the RCM also facilitated a partnership with 13 other trade unions with members working in the health and care sectors to develop a joint submission and campaign materials.

4.ii. Increasing the profile and impact of the RCM locally.

- The RCM's ability to be a physical presence in workplaces, through its network of representatives and activists as well as its staff specialising in representation and organising, was significantly hampered by COVID-19. In spite of this, the team used virtual meetings to provide support and to maintain the flow of information between clinical teams and the RCM centrally.
- The RCM maintained its visible presence in workplaces by producing materials for local noticeboards, including around health and safety and managing stress.
- To drive and develop local activism, the RCM has continued to grow its organising team. This is aiding the dissemination of core RCM messages to local branches and supporting engagement with central campaigns.

INVESTMENT POWERS, POLICY AND PERFORMANCE

The RCM has wide investment powers and delegates the management of the investment portfolio of the RCM Board to its fund managers.

The Investment Committee of the RCM Board prepared the investment policy, which was approved by the RCM Board. The policy sets out the investment philosophy and objective, and how this will be achieved. The objective is to maintain and grow the real capital value of the investments over the long term, while providing a suitable level of income to support activities. The long-term objective for the portfolio is to achieve a return by way of income and the capital

THE ROYAL COLLEGE OF MIDWIVES
STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

growth of CPI plus 4% per annum after fees (updated in October 2020). The board adopted a balanced, medium-risk investment strategy. The portfolio is primarily invested in equities with diversification through exposure to fixed income, property, commodities and absolute return funds. The RCM does not directly invest in companies involved in arms manufacture, tobacco, alcohol or breast milk substitutes.

The board reviews the investment portfolio regularly with the fund managers, comparing performance against the benchmark and periodically reviewing the appropriateness of the benchmark. Overall, the investment performance has approximately mirrored the market and the benchmark during the year.

The benchmark comprises the following:

20% UK equities, measured by the FTSE All Share Index
45% Overseas developed market equities, measured by the MSCI World ex UK Index
5% Overseas emerging market equities, measured by the MSCI Emerging Markets Index
5% Gilts, measured by the FTSE Gov't All Stocks
5% Corporate bonds, measured by BofA non Gilts
10% property, measured by the IPD UK Pooled
2% commodities, measured by the Rogers Intl Commodity Index
6% absolute return, measured by SONIA+2%
2% cash, measured by SONIA

The movement of the RCM's investments during the year is shown in note 11 to the accounts.

PRINCIPAL RISKS AND UNCERTAINTIES

The RCM is committed to adopting best practice in identifying, evaluating and cost-effectively controlling risks to ensure they are eliminated or reduced to an acceptable level. Certain risks will always exist and cannot be eliminated, but action can be put in place to minimise the likelihood of that risk occurring and its potential impact.

The RCM is committed to establishing and maintaining a systematic approach to the identifying and managing risk. Its objectives in doing this are to:

- Ensure that risk management is clearly and consistently integrated and evidenced in the culture of the organisation
- Manage risk in accordance with best practice
- Anticipate and respond to changing social, economic, environmental and legislative requirements
- Consider compliance with health and safety, insurance and legal requirements as a minimum standard
- Prevent death, injury, damage and losses, and reduce the cost of risk
- Inform strategic and operational decisions by identifying risks and their likely impact

Principal risks for the RCM are:

Pandemics

A key risk for the RCM has been the Covid-19 pandemic. The RCM has a business continuity plan in place which addresses the impact of issues such as Covid-19. Significant planning has taken place and communications issued to Members and Staff. All staff are able to work from home (surface pros/Office 365/i-phones) and key suppliers are regularly checked for their preparations and business continuity plans. The impact of the pandemic is multiple, but the RCM is able to adapt the delivery of its services and the support it offers its members with a greater focus on digital output and communication. Financially the RCM is in a strong and stable position but will be constantly reviewing this and its priorities for 2021 and beyond to ensure it remains a financially secure and stable organisation that is able to meet and deliver on the expectations of its members.

THE ROYAL COLLEGE OF MIDWIVES
STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

Loss of income from membership and other sources

Membership subscriptions continue to be the main source of income for the RCM and so any circumstances that put this income under pressure are a significant risk to the organisation.

While a sudden loss of members remains unlikely, a sustained fall in membership levels would have a direct impact on the RCM's ability to deliver services to its members. Whilst 2020 saw continued growth in membership (maintaining the historic growth rates of the past nine years), it is recognised that this cannot continue ad infinitum and even a levelling off of membership will have a potential impact. We continue to review what we do and to invest in systems, people and processes to ensure we are as responsive as we can be and are fulfilling the many needs of our members.

We have look at key areas of expenditure at the RCM, review contracts and services to ensure value for money and that the income from members is used for their benefit. In 2020 we took the decision to sell the lease on the Mansfield Street property and use the proceeds to create a vibrant new headquarters at Union Street, London, home of the RCOG. The majority of the proceeds are being invested to ensure the ongoing financial security of the RCM.

We also face the risk of loss of income from the RCM Alliance programme. This centres on mutually beneficial relationships with a limited number of commercial companies and is our second biggest income stream. Challenging economic and market conditions mean they will continue to review their budgets and the value they get out of any strategic partnerships. This means the loss of a partner is an ongoing risk and one that is being mitigated by the ongoing search for new partnerships.

We continue to campaign and lobby to ensure the role of midwives and their concerns are highlighted. In an environment where pressures within the NHS on budgets, working conditions and service levels are having a detrimental effect on our members, the potential for them to seek employment away from this highly respected and valued profession is likely to increase.

Legal support costs

Supporting members with legal representation remains a major financial issue for the RCM. Members' demand for these services is highly unpredictable and costs continue to rise. We have a fixed-cost agreement with our legal services provider to minimise the impact of this, though the past couple of years have seen greater demand for ad-hoc legal work. We continue to look at ways of minimising this risk.

Loss of key people and knowledge

The RCM needs to have plans in place to ensure it minimises the risk of key people leaving the organisation. As a small organisation, we recognise our people cannot always access the career paths offered by larger organisations. While staff turnover is not an issue, the loss of certain individuals and their knowledge can have a disproportionate impact on those filling the gaps or taking on extra duties. To mitigate this risk we have invested in a substantial people strategy whilst also reviewing the pay and grading structure at the RCM. This is all part of the RCM's desire to attract the best people and be an organisation of experts.

RESULTS

The RCM Board has approved the audited consolidated accounts for the year ended 31 December 2020. The result for the year is total comprehensive surplus of £1,313,408 (2019: £2,556,411).

The result for the year of £1,313,408 included the movements on investments and the pension scheme performance, as required by Financial Reporting Standards (FRS) 102. The relevant movements are disclosed in notes 11 and 14 to the accounts.

A reconciliation between the overall results for the year to 31 December 2020 compared to 2019 is shown below:

THE ROYAL COLLEGE OF MIDWIVES
STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

	£
Total comprehensive income for 2019	2,556,411
<i>Change in result between 2019 and 2020 as a result of:</i>	
Accounting for pension scheme under FRS 102	134,000
Lower investment return in 2020	(219,194)
Decrease in income, staff and other operational costs	(1,157,809)
 Total gain relating to the year	 <u>1,313,408</u>

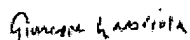
When comparing two years overall income revenue decreased from £12,226,520 (2019) to £10,637,586 (2020) – an decrease of 13%. There was gain realised on the sale of RCM HQ in Mansfield Street in 2021..

Expenditure decreased from £10,093,315 (2019) to £9,614,171 (2020) – an decrease of 4.7% mainly under operating charges, some being due to the impact of Covid-19 on day to day activities of organization. RCM staff were not able to travel in the usual manner and all live events and training sessions were cancelled.

In addition, gains on investments were lower than those experienced in 2020 in line general market conditions.

Having reviewed the financial position, the RCM Board reasonably expects that the company has adequate resources to continue its activities for the foreseeable future. Accordingly, the board continues to adopt the going-concern basis in preparing the financial statements.

By order of the RCM Board



Giuseppe Labriola
Director

Date: 15th July 21

THE ROYAL COLLEGE OF MIDWIVES

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE ROYAL COLLEGE OF MIDWIVES FOR THE YEAR ENDED 31 DECEMBER 2020

Opinion

We have audited the financial statements of the Royal College of Midwives for the year ended 31 December 2020 which comprise the consolidated income and expenditure account, statement of other comprehensive income, consolidated balance sheet, company balance sheet, consolidated cash flow statement and the notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2020 and of the group's income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's or the group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

THE ROYAL COLLEGE OF MIDWIVES

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE ROYAL COLLEGE OF MIDWIVES FOR THE YEAR ENDED 31 DECEMBER 2020

Opinions on other matters prescribed by the Companies Act 2006

In our opinion based on the work undertaken in the course of our audit

2. the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared for the purposes of company law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- V. the strategic report and the directors' report included have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

3. adequate and proper accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
4. the financial statements are not in agreement with the accounting records and returns; or
5. certain disclosures of directors' remuneration specified by law are not made; or
6. we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud and non-compliance with laws and regulations are set out below.

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

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We identified and assessed the risks of material misstatement of the financial statements from irregularities, whether due to fraud or error, and discussed these between our

THE ROYAL COLLEGE OF MIDWIVES

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE ROYAL COLLEGE OF MIDWIVES FOR THE YEAR ENDED 31 DECEMBER 2020

audit team members. We then designed and performed audit procedures responsive to those risks, including obtaining audit evidence sufficient and appropriate to provide a basis for our opinion.

We obtained an understanding of the legal and regulatory frameworks within which the company and group operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The laws and regulations we considered in this context were the Companies Act 2006, together with the financial reporting standards. We assessed the required compliance with these laws and regulations as part of our audit procedures on the related financial statement items.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which might be fundamental to the company's and the group's ability to operate or to avoid a material penalty. We also considered the opportunities and incentives that may exist within the company and the group for fraud. The laws and regulations we considered in this context for the UK operations were health and safety legislation, employment legislation and taxation legislation.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and other management and inspection of regulatory and legal correspondence, if any.

We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be the override of controls by management. Our audit procedures to respond to these risks included enquiries of management, internal audit and the Board of Directors about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals, reviewing accounting estimates for biases, reviewing regulatory correspondence and reading minutes of meetings of those charged with governance.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members 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 company and the company's members as a body for our audit work, for this report, or for the opinions we have formed.



Andrew Thomas
Senior Statutory Auditor
For and on behalf of
Crowe U.K. LLP
Statutory Auditor
London

Date: 16 August 2021

THE ROYAL COLLEGE OF MIDWIVES AND SUBSIDIARY COMPANY
CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £	2019 £
INCOME	4	10,519,875	9,747,167
EXPENDITURE			
Staff costs	5	(5,463,899)	(5,217,534)
Depreciation		(259,375)	(201,675)
Other costs		(3,866,792)	(4,629,548)
OPERATING SURPLUS (DEFICIT)		<u>929,809</u>	<u>(301,590)</u>
Gains (losses) on investments		347,993	513,206
Realised gain on sale of Mansfield Street		-	2,307,661
Investment income		117,711	171,692
Charitable grants paid		(24,105)	(44,558)
SURPLUS FOR THE YEAR		1,371,408	2,646,411

All activities are continuing.

The notes on pages 26 to 39 form part of these accounts.

THE ROYAL COLLEGE OF MIDWIVES AND SUBSIDIARY COMPANY

STATEMENT OF OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £	2019 £
SURPLUS FOR THE YEAR		1,371,408	2,646,411
Re-measurement of defined benefit liability	14	(58,000)	(90,000)
TOTAL COMPREHENSIVE INCOME		<u>1,313,408</u>	<u>2,556,411</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	2020 £	2019 £
At 1 January 2020	11,063,368	8,506,957
Surplus for the period	1,371,408	2,646,411
Re-measurement of net defined benefit pension	(58,000)	(90,000)
AT 31 DECEMBER 2020	<u>12,376,776</u>	<u>11,063,368</u>

The notes on pages 26 to 39 form part of these accounts.

THE ROYAL COLLEGE OF MIDWIVES

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2020

	Notes	2020 £	2019 £
FIXED ASSETS			
Tangible fixed assets	10	1,005,148	111,799
Intangible fixed assets	10	331,469	512,053
Investments	11	6,923,790	6,265,875
		<u>8,260,407</u>	<u>6,889,727</u>
CURRENT ASSETS			
Debtors	12	503,834	624,637
Cash at bank and in hand		4,821,976	4,662,631
TOTAL CURRENT ASSETS		<u>5,325,810</u>	<u>5,287,268</u>
CREDITORS: Amounts falling due within one year	13	(1,209,441)	(1,113,627)
NET CURRENT ASSETS		<u>4,116,369</u>	<u>4,173,641</u>
NET ASSETS		<u>12,376,776</u>	<u>11,063,368</u>
REPRESENTED BY:			
SPECIFIC FUNDS	15		
Headquarters fund		109,505	106,205
Benevolent Fund		768,610	687,966
		<u>878,115</u>	<u>794,171</u>
GENERAL FUNDS	15		
Headquarters		11,031,096	9,835,015
Branches		467,565	434,182
		<u>11,498,661</u>	<u>10,269,197</u>
TOTAL FUNDS		12,376,776	11,063,368

The balance sheet was approved and authorised for issue by the RCM Board on 15th July 21

Giuseppe Labriola

Giuseppe Labriola
Director
Company number 30157

The notes on pages 26 to 39 form part of these accounts.

THE ROYAL COLLEGE OF MIDWIVES

COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2020

	Notes	2020 £	2019 £
FIXED ASSETS			
Tangible fixed assets	10	1,005,148	111,799
Intangible fixed assets	10	331,469	512,053
Investments		5,942,402	5,364,812
TOTAL FIXED ASSETS		<u>7,279,019</u>	<u>5,988,664</u>
CURRENT ASSETS			
Debtors	12	551,836	647,025
Cash at bank and in hand		4,007,899	4,019,004
TOTAL CURRENT ASSETS		<u>4,559,735</u>	<u>4,666,029</u>
CREDITORS: Amounts falling due within one year	13	(878,487)	(738,260)
NET CURRENT ASSETS		<u>3,681,248</u>	<u>3,927,769</u>
NET ASSETS		<u>10,960,267</u>	<u>9,916,433</u>
GENERAL FUNDS		10,960,267	9,916,433
TOTAL FUNDS AND RESERVES		<u>10,960,267</u>	<u>9,916,433</u>

The RCM's unconsolidated surplus for the year was £1,043,834 (2019: 2,779,246) and the total turnover was £10,014,763 (2019: £12,257,869).

The balance sheet was approved and authorised for issue by the RCM Board on 15th July 21

Giuseppe Labriola

Giuseppe Labriola
Director
Company number 30157

The notes on pages 26 to 39 form part of these accounts.

THE ROYAL COLLEGE OF MIDWIVES
CONSOLIDATED CASHFLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £	2019 £
NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES	17	1,323,695	(565,090)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		4,926	2,444
Dividends received		112,785	169,248
NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		<u>117,711</u>	<u>171,692</u>
INVESTING ACTIVITIES			
Purchase of tangible and intangible fixed assets		(972,138)	(129,524)
Sale of fixed assets		-	3,200,000
Purchase of investments		(2,194,692)	(2,159,170)
Sale of investments		1,884,769	2,208,672
NET CASH OUTFLOW FROM INVESTMENT ACTIVITIES		<u>(1,282,061)</u>	<u>3,119,978</u>
INCREASE (DECREASE) IN CASH	18	<u>159,345</u>	<u>2,726,580</u>

The notes on pages 26 to 39 form part of these accounts.

THE ROYAL COLLEGE OF MIDWIVES
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2020

1. STATUS OF THE COMPANY

The RCM is a company limited by guarantee, registration number 30157, and does not have share capital. The members' liabilities in the case of both organisations (RCM and RCMT) are limited to £1, and there were 49,728 members as at 31 December 2020. The RCM is registered as a trade union at 15 Mansfield Street, London, W1G 9NH.

2. ACCOUNTING POLICIES

a) Accounting convention

The accounts are prepared under the Companies Act 2006, the historical cost accounting rules (modified by the revaluation of listed investments), and in accordance with the amended FRS 102, which has been applied in the preparation of these financial statements.

Having reviewed the financial position and considered the impact of Covid-19, the RCM Board reasonably expects that the company has adequate resources to continue its activities for the foreseeable future. Accordingly, the board continues to adopt the going concern basis in preparing the financial statements. Further information is provided in the Strategic Report.

b) Basis of consolidation

The consolidated accounts incorporate the accounts of the RCM and its subsidiary, the RCMT, as at 31 December 2020. The RCM (a company limited by guarantee that is not a charity) is a corporate member of the RCMT and appoints all of the trustees. The accounts of the subsidiary also include the Benevolent Fund of the Royal College of Midwives (which is a subsidiary charity of the RCMT), RCM Trust Trading Company Limited (a subsidiary company of the RCMT in which the RCMT holds the sole share) and RCM Informations Services Ltd (a subsidiary company of the RCMT in which the RCMT holds the sole share). RCM have taken advantage of the exemption under Section 408 of the Companies Act 2006 in not presenting its own statement of financial activities in these statements

c) Tangible and intangible fixed assets

Tangible fixed assets held for the company's own use are stated at cost, less accumulated depreciation and accumulated impairment losses. Depreciation of fixed assets is charged in equal annual instalments commencing with the year of acquisition, at rates estimated to write off their cost or valuation less any residual value over their expected useful lives, which are as follows:

Freehold building	50 years
Leasehold property	Over period of lease
Furniture and office equipment	Five years
Computer software	Three years
Intangible assess CRM	Three years

d) Investments

Investments are stated at mid-market value at the balance sheet date. Gains are calculated based on the difference between the closing market value or sales proceeds and the purchase price or opening market value.

THE ROYAL COLLEGE OF MIDWIVES
NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

2. ACCOUNTING POLICIES (CONTINUED)

e) Leasing

Operating lease rentals are charged to the income and expenditure account on a straight-line basis over the period of the lease.

f) Pension contributions

The RCM runs a defined benefit scheme for its members. The amounts charged to the income and expenditure account are the current service costs and are included as part of staff costs. Past service costs and other finance costs have been recognised in the income and expenditure account. Actuarial gains and losses are recognised in the statement of other comprehensive income.

Pension scheme assets are measured at fair value, and liabilities are measured on an actuarial basis using the projected unit method and are discounted at a rate equivalent to the current rate of return on a high-quality corporate bond. The actuarial valuation is obtained at least triennially and is updated at each balance sheet date. The actuarial assumptions used represent an area of significant estimation uncertainty. The resulting defined pension scheme asset or liability is shown separately on the face of the balance sheet.

g) Income

Membership subscriptions, commercial partnership income and other contracts for services are recognised during the year in which the service is provided, taking into account the stage of completion at the end of the year. Investment, interest and similar income are credited to the income and expenditure account as they are earned. Donations are recognised in the year they are received. Legacies are recognised during the year in which executors approve a distribution.

h) Expenditure

Expenditure is accounted for on the accrual basis and includes any unrecoverable elements of VAT.

i) Financial instruments

The RCM only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and are subsequently measured at their settlement value.

j) Critical accounting judgements and key sources of estimation uncertainty

In the application of the RCM's accounting policies, which are described in note 2, directors are required to make judgements, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The RCM recognises its liability to its defined benefit pension scheme, which involves a number of estimations as disclosed in note 14. In the view of the directors, no other assumptions concerning the future or estimation uncertainty affecting assets and liabilities at the balance sheet date are likely to result in a material adjustment to their carrying amounts in the next financial year.

THE ROYAL COLLEGE OF MIDWIVES
NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

3. 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

	2020 £	2019 £
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	26,475
	<u>10,519,875</u>	<u>9,747,167</u>

THE ROYAL COLLEGE OF MIDWIVES
NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

5. STAFF COSTS AND NUMBERS

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

Full-time equivalent employed at 31 December 2020

Professional	81	<u>88</u>
--------------	----	-----------

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

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

7. SURPLUS ON ORDINARY ACTIVITIES

	2020 £	2019 £
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 and building Union Street	Leasehold – Union Street	Furniture and office equipment	Total	Intangibles
	£	£	£	£	£
Cost or valuation					
At 1 January 2020	155,000	-	353,176	508,176	682,736
Additions	-	852,306	72,839	925,145	46,994
Disposal	-	-	(177,884)	(177,884)	-
At 31 December 2020	<u>155,000</u>	<u>852,306</u>	<u>248,131</u>	<u>1,255,437</u>	<u>729,730</u>
Depreciation and amortisation					
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)	-
At 31 December 2020	<u>54,363</u>	<u>15,377</u>	<u>180,549</u>	<u>250,289</u>	<u>398,261</u>
Net book value					
At 31 December 2020	<u>100,637</u>	<u>836,929</u>	<u>67,582</u>	<u>1,005,148</u>	<u>331,469</u>
<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

	Group	Group	RCM	RCM
	2020	2019	2020	2019
	£	£	£	£
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	513,206	308,044	445,346
Market value at 31 December	<u>6,923,730</u>	<u>6,265,875</u>	<u>5,942,402</u>	<u>5,364,812</u>
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

	Group	Group	RCM	RCM
	2020	2019	2020	2019
	£	£	£	£
Amounts due from RCMT			313,017	355,033
Other debtors	392,444	495,218	129,245	178,609
Prepayments	111,390	129,419	109,574	113,383
	<u>503,834</u>	<u>624,637</u>	<u>551,836</u>	<u>647,025</u>

13. CREDITORS: Amounts falling due within one year

	Group	Group	RCM	RCM
	2020	2019	2020	2019
	£	£	£	£
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	124,401	89,308	126,754	88,569
Accruals	366,878	318,577	353,189	273,030
Deferred income	307,495	336,743	32,056	65,697
	<u>1,209,440</u>	<u>1,113,627</u>	<u>878,487</u>	<u>738,260</u>

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)

	31 December 2020 £'000s	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

	31 December 2020 £'000s	31 December 2019 £'000s
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

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

	2020 £'000s	2019 £'000s
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).

THE ROYAL COLLEGE OF MIDWIVES
NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

14. DEFINED BENEFIT COSTS RECOGNISED IN PROFIT AND LOSS ACCOUNT

	2020 £'000s	2019 £'000s
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

	2020 £'000	2019 £'000
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:		
Amount gain	96	(1,176)
Effects of changes in the demographic and financial assumptions underlying the present value of the plan liabilities:		
Amount gain/(loss)	(3,891)	(1,294)
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

	2020	2019
	£'000	£'000
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
TOTAL ASSETS	42,317	38,710

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

	% per annum	% per annum
	2020	2019
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

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

	<i>1 January 2020</i>	<i>Movement in the period</i>	<i>Gains realised</i>	<i>Revaluation</i>	<i>31 December 2020</i>
	£	£	£	£	£
SPECIFIC FUNDS					
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
TOTAL SPECIFIC FUNDS	<u>794,171</u>	<u>53,887</u>	<u>(14,194)</u>	<u>44,251</u>	<u>878,115</u>
GENERAL FUNDS					
General funds – HQ	9,835,015	878,144	(107,764)	425,701	11,031,096
General funds – branches	434,182	33,383	-	-	467,565
	<u>10,269,197</u>	<u>911,527</u>	<u>(107,764)</u>	<u>425,701</u>	<u>11,498,661</u>
TOTAL SPECIFIC AND GENERAL	<u>11,063,368</u>	<u>965,414</u>	<u>(121,958)</u>	<u>469,952</u>	<u>12,376,776</u>
Pension fund reserve	-	58,000	-	(58,000)	-
TOTAL FUNDS	<u>11,063,368</u>	<u>1,023,414</u>	<u>(121,958)</u>	<u>411,952</u>	<u>12,376,776</u>

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	177,160	106,667	4,822	8,684
Within two to five years	700,840	-	11,081	5,871
In more than five years	2,206,370	-	-	-

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

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

18. ANALYSIS OF BANK BALANCES AND CHANGES IN THE YEAR

	2019	Change in year	2020
	£	£	£
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
COMPANY STATEMENT TO MEMBERS
FOR THE YEAR ENDED 31 DECEMBER 2020

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 £176,151 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.