

**THE ROYAL COLLEGE OF MIDWIVES**

**DIRECTORS' REPORT AND  
CONSOLIDATED ACCOUNTS**

**FOR THE YEAR ENDED 31 DECEMBER 2018**

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**THE ROYAL COLLEGE OF MIDWIVES**  
**DIRECTORS' REPORT AND CONSOLIDATED ACCOUNTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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# THE ROYAL COLLEGE OF MIDWIVES

## CONTACT DETAILS

### FOR THE YEAR ENDED 31 DECEMBER 2018

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#### **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.

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**Promoting • Supporting • Influencing**

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**THE ROYAL COLLEGE OF MIDWIVES**  
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**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 2018. 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.

**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 practising midwives 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:

Michelle Beacock  
Kate Evans  
Jenny Hall (resigned 25 April 2018)  
Birte Harlev-Lam (resigned 30 November 2018)  
Giuseppe Labriola  
Natalie Linder (deputy chair)  
Helene Marshall  
Tracy Miller  
Julie Richards (chair)  
Pauline Twigg

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**DIRECTORS' REPORT (CONTINUED)**  
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**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](http://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 six times during the year, a strategy day was also attended by all the board members. The overall attendance of board members was 86%.

**RCM BOARD PERFORMANCE**

2018 was the seventh 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:

Helene Marshall (chair from 4 September 2017)

Birte Harlev-Lam (resigned 30 November 2018)

Pauline Twigg (from 4 September 2017)

Tony Scott, a chartered accountant, is the external member who commenced his appointment on 24 April 2017. The committee held four meetings during the year and the overall attendance of members was 92%.

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**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:

Michelle Beacock (appointed on 4 July 2018)  
Natalie Linder  
Julie Richards (chair from 1 September 2017)  
Jenny Hall (resigned on 25 April 2018)  
Tracy Miller (appointed on 4 July 2018)  
Dr Susan Way (a co-opted member)

The committee held five meetings during the year and the overall attendance of members was 74%.

**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 of expenses. The members during the year were:

Giuseppe Labriola (chair from 4 September 2017)  
Julie Richards (from 4 September 2017)  
Kate Evans (from 30 January 2018)

The committee met once during the year and the overall attendance of members was 100%.

**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 2018 and the overall attendance of members was 100%. The members during the year were:

Chris Truman, Chief Operating Officer (COO)  
Michelle Beacock (from 4 September 2017)  
Tracy Miller (chair from 4 September 2017)

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

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**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



Julie Richards  
Director

17/10/2019

Date:



# THE ROYAL COLLEGE OF MIDWIVES

## STRATEGIC REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2018

The RCM represents the interests of midwives and maternity support workers (MSWs), individually and collectively, in all four UK countries. It also works to promote excellence, innovation and leadership in the care of pregnant women, their babies and families. To achieve this, it sets new business objectives each year that encompass the broad range of business and professional activities. As part of this, reports are published, training materials are produced, online learning resources are created, conferences and events are organised, campaigns to lobby government to raise standards in maternity services are run, and individuals receive tailored support and representation.

Strategic goals	Strategic objectives
1. To promote high-quality maternity services and professional standards and to lead the future of midwifery.	<ol style="list-style-type: none"><li>i. The RCM will define what it means by high-quality maternity services, which includes the setting of professional standards that impact on the care of women and babies (families).</li><li>ii. The RCM will continuously scope and redefine the future of midwifery to ensure it is well placed in contemporary society.</li></ol>
2. To influence on behalf of our members and in the interest of the women and families for whom they care.	The RCM will strengthen and continue to develop (in a creative and innovative way) its profile, engagement, working practices, resources and responsiveness, creating meaningful relationships with key stakeholders and policy makers.
3. To ensure products and services meet the particular needs of our members.	The RCM will actively and creatively engage with members and prospective members to understand their needs, develop relevant and appropriate high-quality products and services, and measure their impact and effectiveness.
4. To support and represent our members individually and collectively in their respective countries	The RCM will develop its capacity and capability to ensure that appropriate resources are future-proofed for the support and representation of all our members.
5. To ensure our future growth and sustainability as an innovative, adaptive and responsive organisation.	The RCM will have the income to deliver on its strategic plan and ensure the future sustainability of the organisation.
6. To be an exemplary organisation and employer.	The RCM will demonstrate through its performance, reputation and success that it is a leading trade union and professional organisation.

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## STRATEGIC REPORT

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The RCM's strategic objectives for 2018 were:

**1. i) The RCM will define what it means by high-quality maternity services, which includes the setting of professional standards that impact on the care of women and babies (families).**

In 2018, the RCM produced many new contributions to the thinking around maternity services and professional standards. These included:

- Guidance for 'Facilitating women's choices' in maternity services
- Publication of 'Midwifery in Scotland into the 2020s' to develop understanding of a midwife's role among policy makers and highlight key challenges
- An updated RCM position statement on infant feeding which reached 53,000 via social media with twice as many positive responses as negative
- 'State of Maternity Services Reports' for England, Scotland, Wales and Northern Ireland to establish the status of maternity services and influence decision makers
- Produced 'Continuity Counts' educational game
- Updated and disseminated the Continuity of Carer position statement
- Launched 'Midwifery Care in Labour' guidance (aka 'Blue Top' guidance), the first in a proposed series.

Over the course of 2018, the RCM demonstrated that it influenced a strategic change on numerous occasions. Most notably:

- RCM's guidance for midwives supporting victims of domestic violence to have anonymity on the electoral roll. The guidance was released with the backing of the Electoral Commission and Cabinet Office, the latter having circulated the guidance to 650 MPs
- RCM (with the Cavendish Coalition) briefed MPs ahead of a parliamentary debate about the detrimental effect of Brexit on its members and on staff shortages in the NHS. MPs used the RCM's assessment and quoted the midwife-shortage figures in the ensuing debate and video of an MP discussing the issues relating to midwives was retweeted 160 times
- In April, the Secretary of State in England pledged to increase midwife numbers by 3,000, attributing his decision to longstanding RCM evidence and lobbying. Scotland has had assurances about retention and increase of the bursary for training students as a direct result of lobbying
- Contributed to a ministerial roundtable on FGM that resulted in Government commitment to support six clinics in England for FGM survivors
- RCM Chief Executive gave evidence to the House of Commons Health and Social Care committee inquiry into the 'First 1,000 Days' (from pregnancy into childhood). The evidence covered the role of maternity services and the vital contributions from midwives and MSWs
- RCM contributed to Local Government Association guidance for local authorities covering their public health responsibilities to pregnant women
- RCM contributed to HEE MSW engagement and influenced the final document 'National Midwifery Support Worker Competency and Education Framework' (launched in 2019).

Recognising that if the RCM is to bring about sustainable change in maternity services and create good working environments for midwives and MSWs, strong and effective leadership is needed. The RCM committed to creating a new leadership offering by the close of 2018:

- RCM announced 2019 as 'Year of the Leader'

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- Revamped all leadership courses and programmes ensuring there is now a dedicated leadership offering for MWS through to band 7 midwives
- Produced a 'Career framework' to help MSWs and midwives to understand the career options available to them. The guide details different training and skills needed so they can better assess, plan and achieve their career path.

#### **1. ii) The RCM will continuously scope and redefine the future of midwifery to ensure it is well placed in contemporary society.**

The RCM engaged with, influenced and challenged where necessary, the implementation of National Maternity policies in each of the four countries. In 2018, it did this notably in the following ways:

- Wrote to all 44 Local Maternity Systems in England outlining its position on maternity transformation and offered liaison through regional officers
- Continuity of Carer i-learn was launched alongside UK-wide training programmes
- Nuts and Bolts presentations on employment regulations and good practice relating to the implementation of Continuity of Carer were developed for England and Scotland
- In Scotland and in England, the RCM called for resources to ensure Continuity of Carer can be implemented without putting a strain on practitioners. In England, this was successful with the Government pledge to get 3,000 more midwives in training over the next four years. In Scotland, this was successful with increases to the bursary and investment in the service
- Held a UK leaders forum with presentations from all four chief midwives on policy implementation. Questions from delegates and 'table top' sessions followed covering workforce, leadership and continuity
- Continuity Counts activity game launched; 500 were distributed for free across the UK.

In 2018, the RCM demonstrated 10 occasions where it endorsed or invested in original research, audit or project work alongside partner organisations. These included:

- RCM commissioned the University of Nottingham to produce midwifery care guidelines, the so-called 'Blue Top' guidance
- Produced the WHELM study which explored the impact of midwife shortages on those working in maternity services
- RCM Wales co-sponsored the Welsh Government-led survey for midwives into Continuity of Carer and the Strategic Vision in Wales.
- RCM was instrumental in the One Voice collaboration with RCOG, RCPCH, Sands and NCT among other user and family organisations. The collaboration represents a unified position on issues to the NHS, politicians and policy makers to promote best outcomes
- It partnered with RCOG in a successful bid to become Tommy's Collaborating Centre for Maternity Safety
- Partnered with RCOG on the 'Each Baby Counts' safety initiative to research and reduce incidence of infant and maternal mortality figures, where factors fall into the remit of maternity services
- Contributed to the development of the Midwife Degree Apprenticeship Standard in conjunction with HEE, Skills for Health and other stakeholders from HEIs and Trusts. The standard was published by the Institute for Apprenticeships in December.

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**2. The RCM will strengthen and continue to develop (in a creative and innovative way) its profile, engagement, working practices, resources and responsiveness, creating meaningful relationships with key stakeholders and policy makers.**

The RCM agreed and effectively communicated clear positions on key Government initiatives which directly or indirectly affected midwifery, maternity services and the RCM's membership in 2018. It did this notably in the following ways:

- The RCM submitted to the consultation on the national workforce strategy in England on key issues such as workforce shortages pay, bursary, skill set and Brexit. The RCM's position on the ramifications of Brexit on maternity services, for example, has been made clear through media channels, as too has its defence of its EU members' rights
- UCAS data revealed a fall in the number of applicants to midwifery programmes in England. RCM analysis of this data attracted significant media attention, particularly as it pointed to the removal of the bursary in England as a significant factor and is something that the RCM has been vocal in its opposition to. The RCM has pushed for answers on how the Government target of 3,000 more midwives over the next four years will be achieved
- RCM identified key challenges for policy makers in Scotland in its publication '*Midwifery in Scotland into the 2020s*'
- The RCM submitted evidence to the Commons Health and Social Care Committee inquiry into the 'First 1,000 Days'
- The RCM's position statement on Baby Boxes in Scotland generated significant media interest, including a TV interview with RCM Director for Scotland. The RCM fully supported the 'equalising' social policy to provide all babies with the best start.

The RCM continued to lobby for the elimination of midwife shortages through recognition from political parties and policy makers. In 2018, it:

- Was instrumental in the Government announcement that midwifery shortages are critical and that 3,000 more midwives will be recruited in the next four years in England
- Supported the maintenance of student commissioning numbers in Wales
- Influenced the development and definition of the role of maternity support workers and national competency framework
- Participated in national TUC demonstration calling for increased investment in NHS services including maternity care.

The RCM initiated or commissioned numerous pieces of work to increase its evidence base and improve the ability to influence, most notably:

- Continuity of Carer resources were launched, these included an i-learn module, video, '*Nuts and Bolts*' guidance and '*Continuity Counts*' game
- Continuity of Care measurement framework published
- The RCM's collaboration with One Voice
- National Officer's contribution to All Wales Menopause Policy
- 'Blue Top' guidance published.

The RCM ran a 'Big Conversations' initiative to ensure it is 'fit for purpose' and developed a clear strategy to meet its members' needs over the next five years. This was done in a number of ways:

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- New Chief Executive, Gill Walton spent her first 100 days listening to members. Her learnings concluded that the RCM's TU role was well understood and appreciated while its professional focus was not clear enough for members. She launched the 'Big Conversation' that comprised: face-to-face meetings, workplace seminars, social media engagement, branch meetings. The Big Conversation asked members: what makes them proud to be a midwife and how the RCM can support that. 1,300 members accessed the website to find out more.
- Members' responses were discussed at the Strategic Goals workshop in July 2018. They shaped the RCM's 2019-2024 strategy: to improve local visibility, to be more vocal on issues that members care about, to communicate better its professional work, and to accentuate the positives to help members feel positive in turn. These four strategic objectives were published as the 'Our RCM' booklet

The RCM continued to support the health, safety and wellbeing of members through Caring for You (C4Y) and embed it across NHS organisations. The target was set that the remaining 8 NHS organisations not signed up to the C4Y charter will do so and 10% of RCM events will have an element of C4Y content.

- By the end of the year, 7 Trusts had signed the charter, 141 NHS organisations had signed the charter and 25% of UK events had had a C4Y element.

**3. The RCM will actively and creatively engage with members and prospective members to understand their needs, develop relevant and appropriate high-quality products and services, and measure their impact and effectiveness.**

The RCM set a target Net Promoter Score from its members of +70 for its products and services.

- In Q1 the NPS was 70.50; in Q2, 86.16; in Q3, 83.88; and in Q4 77.82. Members reported "a coherent programme of high-quality events." Over the course of the year it averaged 79.5 on events.

The target of 10% increase in the number of new registrants for i-learn courses and for i-folio users from the December 2017 baseline was set to ensure the membership benefits continue to meet members' needs.

- Both i-learn and i-folio saw significant increases throughout 2018, by Q4 i-learn saw an increase of 169% on its target and i-folio saw an increase of 102% on its target.

The RCM library remains a popular resource for members. In 2018 it received:

- 241 visitors (in 2017, that figure was 214)
- 941 enquiries (in 2017, that figure was 878)
- 1575 E-book visits (in 2017, that figure was 1457).

A target of 10% increase in the number of new visitors to the RCM website from the last recording at December 2017 (712,712 new visits) was set.

- By Q4 the number of new visits stood at 927,221, that is 118% on the target of 783,983.

Similarly, the target of 10% increase in the number of Facebook and Twitter users from December 2017 baseline was set.

- Not only was this target achieved for Twitter at 104% (and 96% achieved for Facebook) but Instagram was launched and achieved 3,491 users

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During 2018, the RCM engaged with members at 600 identifiable events/opportunities. The RCM is judged by its visibility to members, listening to their experiences and acting on what matters to them.

850 such events took place in 2018, more than 16 per week.

The RCM recognises the importance of engagement events at not just active branches but at inactive ones and ensuring a good spread throughout the UK, so set the target of an engagement event at every significant workplace during 2018.

- By Q4, 215 significant workplaces in England, Scotland, Wales and N.Ireland had held engagement events (85%).

By the end of 2018, the RCM aimed to have reviewed and revised its membership offering, with clearly defined products and services for key groups.

- The cost and effectiveness review took place during 2018 and was completed in Q4. The results will be seen in 2019 in a publicity campaign to promote member benefits.

**4. The RCM will develop its capacity and capability to ensure that appropriate resources are future-proofed for the support and representation of all our members.**

During 2018, the RCM issued feedback and satisfaction questionnaires to all members (and cases closed) in year. The target for completion and return of 30% was exceeded. The RCM received consistently high evaluations from the members it supported, the feedback indicated 89% were delighted/satisfied with the service they received.

- Initiated in 2018, the RCM sought out feedback from members who had been represented by the RCM as a trade union. The RCM received consistently high evaluations from its members, by Q4, the average was 30.8%.

The RCM's Benevolent fund, administered through the Cavell Nurses' Trust since 2017, provides financial assistance to those in immediate financial hardship. It remains the responsibility of the RCM's elected board and is part of RCM's ongoing commitment to supporting its members.

- The Benevolent fund provides support for UK midwives and support workers, both working and retired, when they're suffering personal or financial hardship, often because of illness, disability, domestic abuse and the effects of older age. To safeguard the RCM benevolent fund's future and ensure it has maximum impact, RCM Chief Executive Gill Walton and Cavell Nurses' Trust Chief Executive John Orchard agreed in November 2018 that Cavell Nurses' Trust's expertise would be best placed to administer and support the running of the charity's services
- In 2018, the benevolent fund received 146 enquiries, (16 of which were non-eligible i.e. from students who were directed to other organisations to contact) 32 awards were made, six were declined, and a total of £23,070 was awarded to members considered to be in dire need.

By 2020, the RCM plans to have one workplace rep in each category in each Trust or Board. Each significant workplace will have one effective steward and 80% of new reps will have attended RCM training courses/days within six months of appointment.

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- The RCM recognises the value and work of its activists, so recruitment, training and support is paramount. By Q4 2018, 75 Trusts/Boards had a WPR of each category
- On average, 72% had completed the course within six months of appointment by the end of 2018.

During 2018, the RCM aimed to deliver two new guides directed at members to explain, promote and support their working conditions and employment rights, including getting the best from RCM representation.

- Most notable was the '*Nuts and Bolts*' guide to implementing a fully supported Continuity of Carer model
- The RCM also produced guidance on flexible working and lone working.

In 2018, the RCM aimed to increase its active branches by 10% from baseline of December 2017.

- Active branches are another indicator for the RCM whether it is aligned well with the needs of its membership. By Q4, 93 branches had two officers, submitted a financial return and held an engagement event – against a target of 68.

**5. The RCM will have the income to deliver on its strategic plan and ensure the future sustainability of the organisation.**

The RCM set a target for its membership to not fall below the Dec 2017 baseline, and for MSW retention to improve 70% from the same baseline.

- The RCM has enjoyed steady growth in membership of approx. 1,000 new members each year since 2010. Whilst this growth is encouraging, the RCM recognises that retention is just as important a focus
- At the end of 2017, the membership stood at 47,167 and by Q4 in 2018, it had reached 48,233. This figure shows both recruitment and retention of members is positive
- MSW membership enjoyed a retention of 63%.

Membership churn rate was established in 2018 and analysis of those areas within RCM's control was carried out with clear action plans put in place to reduce churn rate.

- In 2018, the RCM established a process to measure the different rates and factors for recruitment versus retention. This 'churn' rate was measured as below what the RCM had expected to see. Nevertheless, the RCM has established a series of actions to ensure its membership is satisfied with the benefits and services it provides
- A review of membership benefits was completed in 2018 and the results of this will be seen in 2019
- A significant action to note here has been the RCM's extensive research and investment into 360, the new website (to be launched in 2019) that promises to better serve members' needs.

The RCM set objectives to maintain a positive cash flow (please see accounts section of document); to generate membership income of approx. £8.6m and non-membership income of approx. £1.1m (please see accounts section of document); and, as a Trust Trading company, will achieve an income of £412,000 from Alliance Partners and retain existing partnerships.

- The Alliance Partners are: Johnsons, Vitabiotics, Kelloggs, Emma's Diary, Slimming World and Lansinoh. Johnsons, Vitabiotics and Slimming World have re-signed for a further three years

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- The budgeted income for 2018 was £412,120 and the actual income was £395,121.

RCM investments will continue to grow by an agreed target of PRI 3%

- Investments have grown however, not as anticipated due to world events taking their toll on the financial markets (please see accounts section of the document).

**6. The RCM will demonstrate through its performance, reputation and success that it is a leading trade union and professional organisation.**

- In previous years, the RCM has undertaken consultations with members on the subject of pay increases. In 2018, it successfully negotiated, alongside other unions, the best public sector pay increase possible. It was implemented in England first, then Scotland, then Wales, with N.Ireland to follow in 2019. Because of the complex nature of the increase itself, RCM has communicated with members extensively throughout 2018 to clearly explain the first year of this three-year deal.
- Externally funded projects included NHS England's funding for two pieces of work relating to the implementation of Continuity of Carer in England. The first was an 'Introduction to Continuity' i-learn module (available for members to access via the website) and the second was a monitoring and evaluation framework, which the RCM jointly commissioned from Professor Jane Sandall CBE, published in October.

The RCM will continue to demonstrate a positive direction of travel in audit reports.

- The RCM chooses to utilise internal and external audits to drive continual improvement. While financial systems are included in this, the audits are mainly used to monitor business processes and elements of the organisation. These audits included: the benevolent fund, financial systems, risk management processes, a review of membership benefits and a planned review, in 2019, of the GDPR work carried out in 2018. There is an ongoing internal audit of the 360 project, monitoring it to check it is achieving what it is meant to.

The RCM will continue to implement and further develop the Voices, Vision and Values work to ensure it is embedded in the RCM.

- While this is viewed as 'business as usual' it doesn't convey the RCM's commitment to continuing to be an exemplary employer and organisation
- The Team RCM Voices Survey was completed Q4 of 2018 to assess the RCM as an employer and 89% of RCM staff completed the survey
- From those who completed the survey, 87% said they understood how their work impacts the RCM's goals and 100% said they enjoy coming to work
- The survey was overwhelming positive and gave strong assurance that the RCM is a leading employer
- From the feedback, 2019 will see continued work to update internal systems and processes, review benefits and support each staff member's health and wellbeing
- In addition, the RCM board and directors set aside a day in July to discuss and invest in the vision and values of the RCM to set the strategic objectives for the next five years. 'Our RCM' was published as a result of this.



# THE ROYAL COLLEGE OF MIDWIVES

## STRATEGIC REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2017

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In 2018, an important stakeholder (media, partners, civil servants, politicians, other unions, other professional bodies) survey was carried out to demonstrate progress against the 2015 benchmark survey. It showed:

- External assessment of the RCM's reputation and perceived influence was positive.
- The trade union side is perceived as: engaged with members, influential on behalf of its members and, significantly, modern in its outlook and transparent in its dealings

On the professional side, in previous stakeholder surveys there were perceived shortcomings, however the 2018 stakeholder survey showed a positive perception of the RCM's work to promote the safety agenda and its ability to partner well with other organisations. While there was an acknowledgement of this professional progress there was a perception that the outcomes were still hidden, so the RCM has a clear focus for showcasing the outcomes of its professional work in 2019 and beyond.

The RCM will demonstrate delivery on all key programmes and projects for 2018.

- Each of the projects and programmes in 2018, many of which have been noted in this document, had measurable outcomes however, all are ongoing. For example, 360, that is the redesign and launch of the new website, was delivered against its objectives for year one, however it continues to be monitored. This is also true of: GDPR work; Maternity Transformation; the global objectives framework; internal communications objectives (which were addressed by the setting up of the 'Communications hub' in 2018); administration review to streamline/standardise systems, processes and create teams of administrators who can support multiple teams; IT strategy (moving Outlook to Office 365) where work was done in 2018 but the results won't be seen until 2019; perinatal mental health; leadership; 'Blue Top' guidance; and membership benefits. Key project objectives were met but all are ongoing.

#### 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:

##### 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.

**THE ROYAL COLLEGE OF MIDWIVES**  
**STRATEGIC REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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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 2018 saw a further rise in members of 1,066, the RCM does recognise that this growth cannot be sustained forever and that a levelling off from the historic growth rates during the past nine years will have a potential impact. We continue to review what we do and to invest in systems and process to ensure we are as responsive as we can be and are fulfilling the many needs of our members. RCM360, a major project focussed on replacing the existing customer relationship management (CRM) system and the website content management system (CMS) is a significant investment made by the RCM to ensure that the organisation delivers the services and information our members need. These new systems went live on the 18<sup>th</sup> March 2019. We continue to review our offer to members to ensure the products and services we provide are fit for purpose and delivering value. 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.

The RCM is also looking at alternative income streams to reduce the reliance on membership income and to ensure the long term financial stability of the RCM. This includes looking at products and services that bring in additional income, looking at cost savings and looking at the leases the RCM has.

We also continue to face the risk of loss of income from the RCM Alliance programme. The RCM Alliance centres on mutually beneficial relationships with a limited number of commercial companies and is our second biggest income stream. Partners are under increasing budgetary pressure as a result of challenging market conditions and economic uncertainties. Whilst a number of existing contracts were up for renewal in 2018 and these partners re-signed, other contracts are up for renewal in 2019 and there is a real risk that not all will continue their Alliance partnerships. A comprehensive business development plan has been put together to mitigate the loss of any partners.

#### **Legal support costs**

Supporting members with legal representation remains a major financial issue for the RCM. Members' demand for these services continues 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. Whilst the number of NMC cases has fallen over the past 18 months, the number of high impact cases that fall outside the fixed fee agreement continues to have a major budgetary impact. The number of these cases is unpredictable as is their duration and this is likely to continue to have an impact in 2019.

#### **Loss of Key People**

People are key to the on-going effectiveness of the Royal College of Midwives. As a relatively small organisation, the RCM recognises that it cannot always keep hold of its employees and in reality, some staff churn is good for an organisation as it brings in new ideas, challenge to the way things are done and new skills. However, the RCM is keen to invest in its staff and to ensure when people do move on, as much of their knowledge is retained in the RCM as possible. It has introduced a number of policies and processes to minimise the risk of staff moving on and to ensure better recruitment and retention of key staff. This includes a comprehensive People Strategy.

### **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

**THE ROYAL COLLEGE OF MIDWIVES**  
**STRATEGIC REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

support activities. The long-term objective for the portfolio is to achieve a return by way of income and the capital growth of RPI plus 3% per annum after fees. The board adopted a balanced, medium-risk investment strategy. The portfolio is invested mainly in equities and fixed-interest bonds, but it is also exposed to alternative assets such as property, commodities and absolute-return funds. The RCM does not directly invest in companies involved in arms manufacture, tobacco, alcohol and 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:

- 30% UK equities, measured by the FTSE All Share Index;
  - 20% global equities, measured by the MSCI World ex UK Index;
  - 5% emerging market equities, measured by the MSCI Emerging Markets Index;
  - 10% UK government bonds, measured by the FTA All Stock Govt Index;
  - 10% UK corporate bonds, measured by the BofA Merrill Lynch £ Non-Gilt Index;
  - 10% property, measured by the IPD All Balanced Funds Index;
  - 3% commodities, measured by the Rogers Intl Commodity Index;
  - 10% absolute return, measured by the three-month LIBOR + 4%; and
  - 2% cash, measured by the three-month LIBOR
- The movement of the RCM's investments during the year is shown in note 11 to the accounts.

## RESULTS

The RCM Board has approved the audited consolidated accounts for the year ended 31 December 2018. The result for the year is total comprehensive loss of £317,813 (2017: £467,048).

The result for the year of £317,813 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 2018 compared to 2017 is shown below:

	£
Total comprehensive income for 2017	467,048
<i>Change in result between 2017 and 2018 as a result of:</i>	
Accounting for pension scheme under FRS 102	18,000
Lower investment return in 2018	(720,170)
Increase in staff and other operational costs over above increase in income	(82,691)
	(317,813)
Total loss relating to the year	(317,813)

When comparing two years overall income revenue decreased from £10,026,034 (2017) to £9,854,891 (2018) – a decrease of 1.74%. The income from sponsorship, conference, events and externally funded projects was lower than in the previous year. In addition, losses on investments were recorded which was in line with general market conditions.

**THE ROYAL COLLEGE OF MIDWIVES**  
**STRATEGIC REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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Expenditure decreased from £9,760,894 (2017) to £9,724,812 (2018) – a decrease of 0.5 % across various heading such as insurance, board elections and it was in line with income recovery. The current service pension cost as required by FRS 102 is charged to staff costs under pensions. Management has no direct control over the pension scheme performance. In comparison to 2017 higher expenditure was incurred across other costs namely on the legal representations on behalf of members.

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



Julie Richards  
Director

Date: 17/07/2019.

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE ROYAL COLLEGE OF MIDWIVES

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### Opinion

We have audited the financial statements of The Royal College of Midwives (the "parent company") and its subsidiaries (the "group") for the year ended 31 December 2018 which comprise the consolidated income and expenditure account, statement of other comprehensive income, consolidated balance sheet, company balance sheet, consolidated cash flow statement and notes to the financial statements, including a summary of 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 2018 and of the group's profit/loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### 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.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE ROYAL COLLEGE OF MIDWIVES**

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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 there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

### **Opinion on other matter prescribed by the Companies Act 2006**

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the group and the parent 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:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- 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 4 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 group's and the parent 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 group or the parent company or to cease operations, or have no realistic alternative but to do so.

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE ROYAL COLLEGE OF MIDWIVES (CONTINUED)

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### 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.

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### 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.



Tim Redwood  
Senior Statutory Auditor  
For and on behalf of

**Crowe U.K. LLP**  
Statutory Auditor  
London

23 July 2019

**THE ROYAL COLLEGE OF MIDWIVES AND SUBSIDIARY COMPANY**

**CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT**

**FOR THE YEAR ENDED 31 DECEMBER 2018**

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	Notes	2018 £	2017 £
<b>INCOME</b>	4	<b>9,703,610</b>	<b>9,875,383</b>
<b>EXPENDITURE</b>			
Staff costs	5	(4,842,520)	(4,785,604)
Depreciation		(42,933)	(47,390)
Other costs		(4,813,564)	(4,908,797)
<b>OPERATING SURPLUS</b>		<b>4,593</b>	<b>133,592</b>
Gains (losses) on investments		(478,892)	241,908
Investment income		151,281	150,651
Charitable grants paid		(25,795)	(19,103)
<b>DEFICIT FOR THE YEAR</b>		<b>(348,813)</b>	<b>507,048</b>

All activities are continuing.

The notes on pages 25 to 37 form part of these accounts.



**THE ROYAL COLLEGE OF MIDWIVES**  
**STATEMENT OF OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

	Notes	2018 £	2017 £
<b>DEFICIT FOR THE YEAR</b>		<b>(348,813)</b>	<b>507,048</b>
Re-measurement of defined benefit liability	14	<u>31,000</u>	<u>(40,000)</u>
<b>TOTAL COMPREHENSIVE DEFICIT</b>		<b><u>(317,813)</u></b>	<b><u>467,048</u></b>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	2018 £	2017 £
At 1 January 2018	<b>8,824,770</b>	<b>8,357,722</b>
Surplus (deficit) for the period	<b>(348,813)</b>	<b>507,048</b>
Re-measurement of net defined benefit pension	<u>31,000</u>	<u>(40,000)</u>
<b>AT 31 DECEMBER 2018</b>	<b><u>8,506,957</u></b>	<b><u>8,824,770</u></b>

The notes on pages 25 to 37 form part of these accounts.

THE ROYAL COLLEGE OF MIDWIVES

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2018

	Notes	2018 £	2017 £
<b>FIXED ASSETS</b>			
Tangible fixed assets	10	1,035,132	1,078,065
Intangible fixed assets	10	553,212	82,260
Investments	11	5,802,171	6,109,862
		<u>7,390,515</u>	<u>7,270,187</u>
<b>CURRENT ASSETS</b>			
Debtors	12	369,979	587,460
Cash at bank and in hand		1,936,051	2,039,784
		<u>2,306,030</u>	<u>2,627,244</u>
<b>TOTAL CURRENT ASSETS</b>		<b>2,306,030</b>	<b>2,627,244</b>
<b>CREDITORS: Amounts falling due within one year</b>	13	<b>(1,189,588)</b>	<b>(1,072,661)</b>
<b>NET CURRENT ASSETS</b>		<b>1,116,442</b>	<b>1,554,583</b>
<b>NET ASSETS</b>		<b>8,506,957</b>	<b>8,824,770</b>
<b>REPRESENTED BY:</b>			
<b>SPECIFIC FUNDS</b>			
Revaluation reserve	15	879,627	879,627
Headquarters fund		99,186	108,839
Benevolent Fund		641,871	662,628
		<u>1,620,684</u>	<u>1,651,094</u>
<b>GENERAL FUNDS</b>			
Headquarters	15	6,466,906	6,783,658
Branches		419,367	390,018
		<u>6,886,273</u>	<u>7,173,676</u>
<b>TOTAL FUNDS</b>		<b>8,506,957</b>	<b>8,824,770</b>

The balance sheet was approved and authorised for issue by the RCM Board on 17.7.19

Sign by Director

Julie Richards  
Company number 30157

The notes on pages 25 to 37 form part of these accounts

THE ROYAL COLLEGE OF MIDWIVES

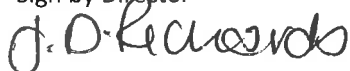
COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2018

	Notes	2018 £	2017 £
<b>FIXED ASSETS</b>			
Tangible fixed assets	10	1,035,132	1,078,065
Intangible fixed assets	10	553,212	82,260
Investments	11	4,973,185	4,850,365
<b>TOTAL FIXED ASSETS</b>		<b>6,561,529</b>	<b>6,010,690</b>
<b>CURRENT ASSETS</b>			
Debtors	12	378,690	399,931
Cash at bank and in hand		1,199,173	1,359,453
<b>TOTAL CURRENT ASSETS</b>		<b>1,577,863</b>	<b>1,759,384</b>
<b>CREDITORS: Amounts falling due within one year</b>	13	<b>(1,002,205)</b>	<b>(847,418)</b>
<b>NET CURRENT ASSETS</b>		<b>575,658</b>	<b>911,966</b>
<b>NET ASSETS</b>		<b>7,137,187</b>	<b>6,922,656</b>
<b>GENERAL FUNDS</b>		<b>7,137,187</b>	<b>6,922,656</b>
<b>TOTAL FUNDS AND RESERVES</b>		<b>7,137,187</b>	<b>6,922,656</b>

The balance sheet was approved and authorised for issue by the RCM Board on 17.7.19

Sign by Director



Julie Richards

Company number 30157

The notes on pages 25 to 37 form part of these accounts.

**THE ROYAL COLLEGE OF MIDWIVES**  
**CONSOLIDATED CASHFLOW STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

	Notes	2018 £	2017 £
<b>NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES</b>	17	<u>387,139</u>	<u>(21,803)</u>
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>			
Interest received		4,452	6,770
Dividends received		<u>146,829</u>	<u>143,881</u>
<b>NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>		<u>151,281</u>	<u>150,651</u>
<b>INVESTING ACTIVITIES</b>			
Purchase of tangible fixed assets		(470,952)	(130,315)
Purchase of investments		(1,001,591)	(2,172,752)
Sale of investments		<u>830,390</u>	<u>1,146,311</u>
<b>NET CASH OUTFLOW FROM INVESTMENT ACTIVITIES</b>		<u>(642,153)</u>	<u>(1,156,756)</u>
<b>INCREASE (DECREASE) IN CASH</b>	18	<u>103,733</u>	<u>(1,027,908)</u>

The notes on pages 25 to 37 form part of these accounts

# THE ROYAL COLLEGE OF MIDWIVES

## NOTES TO THE ACCOUNTS

### FOR THE YEAR ENDED 31 DECEMBER 2018

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#### 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 48,231 members as at 31 December 2018. 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 for the first time in the preparation of these financial statements and prior to its compulsory adoption date of 1 January 2016.

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.

##### b) Basis of consolidation

The consolidated accounts incorporate the accounts of the RCM and its subsidiary, the RCMT, as at 31 December 2018. 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) and RCM Trust Trading Company Limited (a subsidiary company of the RCMT in which the RCMT holds the sole share).

##### c) Fixed Assets

###### Tangible 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 Assets

Intangible fixed assets are measured at cost less accumulated amortisation and any impairment losses. Software development costs are recognised as an intangible fixed asset where these create an identifiable software asset from which future economic benefit will be derived. Any enhancements to existing software assets that result in additional functionality and therefore enhance the value of the asset to the business are also capitalised. Amortisation is charged so as to allocate the cost of the assets over their estimated useful lives using the straight-line method over 3 years.

**THE ROYAL COLLEGE OF MIDWIVES**  
**NOTES TO THE ACCOUNTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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**2. ACCOUNTING POLICIES (CONTINUED)**

**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.

**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 this note, 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 2018**

**3. BRANCH RETURNS**

Thirty-three branches of the RCM have not submitted accounts to headquarters for the year ended 31 December 2018. The omission of these branches does not materially affect these accounts. Accordingly, the balance sheet includes only the latest known cash balances in respect of these branches. Thirty-three branches that did not submit accounts bank with Unity Trust Bank – the same bank that RCM headquarters uses – therefore, it was possible to verify their cash balances.

The income and expenditure account includes:

- a) The income and expenditure of headquarters
- b) The income and expenditure of 140 (2017: 139) 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 £1,936,051 (2017: £2,039,784) includes the £421,713 (2017: £388,648) held by branches.

**4. INCOME**

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Membership subscriptions	<b>8,612,158</b>	8,524,485
Conference income	<b>104,814</b>	164,413
Income raised by branches	<b>37,768</b>	27,421
Donations and legacies	<b>38,267</b>	79,398
Commercial partnership income	<b>395,121</b>	458,656
Project income	<b>344,064</b>	398,003
Other income	<b>5,687</b>	19,924
Journal/website income	<b>135,450</b>	150,254
Consultancy/accreditation	<b>30,281</b>	52,829
	<b>9,703,610</b>	9,875,383

**THE ROYAL COLLEGE OF MIDWIVES**  
**NOTES TO THE ACCOUNTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

**5. STAFF COSTS AND NUMBERS**

	<b>2018</b>	<i>2017</i>
	<b>£</b>	<i>£</i>
Wages and salaries	<b>3,656,762</b>	<i>3,677,837</i>
Social security costs	<b>355,436</b>	<i>352,355</i>
Pension costs	<b>830,322</b>	<i>755,412</i>
	<b><u>4,842,520</u></b>	<i><u>4,785,604</u></i>
Full-time equivalent employed at 31 December 2018	<b>No</b>	<i>No</i>
Professional	<b><u>74</u></b>	<i><u>78</u></i>

The salary cost for the key management personnel during the year was £530,099 (2017: £609,973). The figure is inclusive of pension benefits; no other employee benefits were paid. There was one redundancy payments in the year £20,012 (2017: two £65,835).

**6. INTEREST RECEIVABLE**

	<b>2018</b>	<i>2017</i>
	<b>£</b>	<i>£</i>
Bank and building society interest	<b><u>4,452</u></b>	<i><u>6,770</u></i>

**7. SURPLUS ON ORDINARY ACTIVITIES**

	<b>2018</b>	<i>2017</i>
	<b>£</b>	<i>£</i>
This is stated after charging		
Auditor's remuneration		
– audit	<b>30,320</b>	<i>29,480</i>
– other services – taxation	<b>7,380</b>	<i>12,330</i>
Operating lease rentals		
– plant and machinery	<b>15,952</b>	<i>29,659</i>
– land and buildings	<b>55,833</b>	<i>55,833</i>
Depreciation	<b><u>42,933</u></b>	<i><u>47,390</u></i>



**THE ROYAL COLLEGE OF MIDWIVES**  
**NOTES TO THE ACCOUNTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

No member of the RCM Board received any remuneration from the RCM 2018: nil (2017: nil) except for reimbursement of their travelling expenses totalling £10,349(2017: £12,123 ).

**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 £582,997 and the total turnover was £9,997,832.

**10. FIXED ASSETS**

	Freehold land and building	Short- leasehold property	Furniture and office equipment	Total	Intangibles
	£	£	£	£	£
<b>Cost or valuation</b>					
At 1 January 2018	155,000	1,465,925	353,175	1,974,100	82,260
Additions	-	-	-	-	470,952
Disposal	-	-	-	-	-
<b>At 31 December 2018</b>	<b>155,000</b>	<b>1,465,925</b>	<b>353,175</b>	<b>1,974,100</b>	<b>553,212</b>
<b>Depreciation and</b>					
At 1 January 2018	48,594	531,984	315,457	896,035	-
Charge for the year	1,923	25,469	15,541	42,933	-
Disposal	-	-	-	-	-
<b>At 31 December 2018</b>	<b>50,517</b>	<b>557,453</b>	<b>330,998</b>	<b>938,968</b>	
<b>Net book value</b>					
<b>At 31 December 2018</b>	<b>104,483</b>	<b>908,472</b>	<b>22,177</b>	<b>1,035,132</b>	<b>553,212</b>
<i>At 31 December 2017</i>	<i>106,406</i>	<i>933,941</i>	<i>119,978</i>	<i>1,160,325</i>	<i>82,260</i>

At 31 December 2018, there were capital commitments contracted for of £121,500 (2017: £500,000).

THE ROYAL COLLEGE OF MIDWIVES

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

11. FIXED-ASSET INVESTMENT

	Group 2018 £	Group 2017 £	RCM 2018 £	RCM 2017 £
Market value at start of period	6,109,862	4,841,513	4,850,365	3,642,611
Additions	1,001,591	2,172,752	1,039,884	1,872,261
Disposals	(830,390)	(1,146,311)	(517,598)	(851,915)
Gains/ (losses)	(478,892)	241,908	(399,466)	187,408
Market value at 31 December	<u>5,802,171</u>	<u>6,109,862</u>	<u>4,973,185</u>	<u>4,850,365</u>
Historical cost at 31 December	<u>5,738,600</u>	<u>5,421,379</u>	<u>4,942,042</u>	<u>4,332,027</u>

Investments are held in a mixture of unit trusts managed by Cazenove Capital. Management: all investments are held within the group.

12. DEBTORS

	Group 2018 £	Group 2017 £	RCM 2018 £	RCM 2017 £
Amounts due from RCMT		-	54,814	-
Other debtors	243,229	414,128	197,765	236,256
Prepayments	<u>126,750</u>	<u>173,332</u>	<u>126,111</u>	<u>163,675</u>
	<u>369,979</u>	<u>587,460</u>	<u>378,690</u>	<u>399,931</u>

13. CREDITORS: Amounts falling due within one year

	Group 2018 £	Group 2017 £	RCM 2018 £	RCM 2017 £
Subscriptions in advance	3,302	5,280	3,302	5,280
Trade creditors	558,040	358,954	536,060	342,146
Other taxation and social security	97,133	106,468	97,133	106,468
Accruals	292,449	268,698	257,090	224,272
Deferred income	<u>238,664</u>	<u>333,261</u>	<u>108,620</u>	<u>169,252</u>
	<u>1,189,588</u>	<u>1,072,661</u>	<u>1,002,205</u>	<u>847,418</u>

**THE ROYAL COLLEGE OF MIDWIVES**  
**NOTES TO THE ACCOUNTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

**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 was carried out at 31 March 2016 and updated at 31 December 2018 by a qualified actuary, independent of the scheme's sponsoring employer. The major assumptions used by the actuary are shown below.

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

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

	<b>31 December 2018 £'000s</b>	31 December 2017 £'000s
Fair value of plan assets	<b>33,764</b>	35,717
Present value of defined benefit obligation	<b>31,353</b>	32,411
Unrecognised surplus	<b>2,411</b>	3,306
Surplus in plan	<b>2,411</b>	3,306
Defined benefit asset (liability)	<u>-</u>	<u>-</u>

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

	<b>31 December 2018 £'000s</b>	31 December 2017 £'000s
Defined benefit obligation at start of period	<b>32,411</b>	31,055
Current service cost	<b>697</b>	660
Expenses	<b>84</b>	94
Interest expense	<b>771</b>	836
Contributions by plan participants	<b>184</b>	214
Actuarial losses	<b>(1,288)</b>	661
Benefits paid and expenses	<b>(1,506)</b>	(1,109)
Defined benefit obligation at end of period	<u><b>31,353</b></u>	<u>32,411</u>

**THE ROYAL COLLEGE OF MIDWIVES**  
**NOTES TO THE ACCOUNTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

**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 Pension (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 RCM on the method to adopt. The legal advice will need to consider (amongst other things) the appropriate GMP equalisation solution, whether there should be a time limit on the obligation to make back-payments to members (the "look-back" period) and the treatment of former members (members who have died without a spouse and members who have transferred out for example).

Where an allowance has been made

The benefit obligations have been adjusted assuming the following:

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

The allowance has been estimated based on average impacts for schemes with similar benefit structure, allowing for the profile of the membership.

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

	<b>2018</b>	<i>2017</i>
	<b>£'000s</b>	<i>£'000s</i>
Fair value of plan assets at start of period	<b>35,717</b>	<i>32,860</i>
Interest income	<b>850</b>	<i>886</i>
Actuarial gains (losses)	<b>(2,231)</b>	<i>2,072</i>
Contributions by RCM	<b>750</b>	<i>794</i>
Contributions by plan participants	<b>184</b>	<i>214</i>
Benefits paid and expenses	<b>(1,506)</b>	<i>(1,109)</i>
	<hr/>	<hr/>
Fair value of plan assets at end of period	<b>33,764</b>	<i>35,717</i>

The actual return on the plan assets over the period ending 31 December 2018 was £1,381,000 (2017: £2,958,000).

**THE ROYAL COLLEGE OF MIDWIVES**  
**NOTES TO THE ACCOUNTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

**DEFINED BENEFIT COSTS RECOGNISED IN PROFIT AND LOSS ACCOUNT**

	<b>2018</b> <b>£'000s</b>	<i>2017</i> <i>£'000s</i>
Current service cost	<b>697</b>	660
Expenses	<b>84</b>	94
Net interest cost	-	-
Defined benefit costs recognised in profit and loss account	<b>781</b>	<i>754</i>

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

	<b>2018</b> <b>£'000</b>	<i>2017</i> <i>£'000</i>
Return on plan assets (excluding amounts included in net interest cost) gain /(loss)	<b>(2,231)</b>	<i>2,072</i>
Experience gains and (losses) arising on the plan liabilities: Gain/ (loss)	<b>(143)</b>	<i>(742)</i>
Effects of changes in the demographic and financial assumptions underlying the present value of the plan liabilities: gain/(loss)	<b>1,431</b>	<i>81</i>
Effects of changes in the amount of surplus that is not recoverable (excluding amounts included in net interest cost) (loss) /gain	<b>974</b>	<i>(1,451)</i>
Total amount recognised in other comprehensive income	<b>31</b>	<i>(40)</i>

**THE ROYAL COLLEGE OF MIDWIVES**  
**NOTES TO THE ACCOUNTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

**14. PENSIONS (CONTINUED)**

**ASSETS**

	<b>2018</b>	2017
	<b>£'000</b>	£'000
UK equities	<b>4,731</b>	7,499
Overseas equities	<b>4,731</b>	7,499
Corporate bonds	<b>4,053</b>	4,108
Diversified growth funds	<b>7,739</b>	4,703
Property	<b>2,606</b>	2,457
Cash	<b>11</b>	170
Insured pensioners	<b>244</b>	265
LDI	<b>9,649</b>	9,016
	<b>33,764</b>	35,717
<b>TOTAL ASSETS</b>	<b>33,764</b>	35,717

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

**THE ROYAL COLLEGE OF MIDWIVES**  
**NOTES TO THE ACCOUNTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

**14. PENSIONS (CONTINUED)**

**ASSUMPTIONS**

	<b>% per annum</b>	<i>% per annum</i>
	<b>2018</b>	<i>2017</i>
Rate of discount	<b>2.80</b>	<i>2.40</i>
Inflation (RPI)	<b>3.25</b>	<i>3.15</i>
Inflation (CPI)	<b>2.25</b>	<i>2.15</i>
Salary growth	<b>3.25</b>	<i>3.15</i>
Allowance for revaluation of differed pensions of CPI or 5% p.a. if less, minimum 3% p.a.	<b>3.00</b>	<i>3.00</i>
Allowance for pension in payment increases of RPI 5% p.a. if less	<b>3.25</b>	<i>3.15</i>
Allowance for commutation of pension for cash at retirement	90% of members commute 25% of their	90% of members commute 25% of their pension

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

Male retiring in 2018	22.3
Female retiring in 2018	24.4
Male retiring in 2038	24.1
Female retiring in 2038	26.3

The best estimate of contributions to be paid by the employer for the period commencing 1 January 2019 is £799,000 (2017: £811,000).

**THE ROYAL COLLEGE OF MIDWIVES**  
**NOTES TO THE ACCOUNTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

**15. MOVEMENT ON RESERVES**

	<i>1 January 2018</i>	Movement in the period	Gains realised	Revaluation	<b>31 December 2018</b>
	£	£	£	£	£
<b>SPECIFIC FUNDS</b>					
Revaluation reserve	879,627	-	-	-	<b>879,627</b>
Headquarters specific fund	108,839	(920)	4,456	(13,189)	<b>99,186</b>
Headquarters benevolent fund	662,628	25,038	13,264	(59,059)	<b>641,871</b>
<b>TOTAL SPECIFIC FUNDS</b>	<u>1,651,094</u>	<u>24,118</u>	<u>17,720</u>	<u>(72,248)</u>	<u>1,620,684</u>
<b>GENERAL FUNDS</b>					
General funds – HQ	6,783,658	107,612	124,970	(549,334)	<b>6,466,906</b>
General funds – branches	390,018	29,349	-	-	419,367
	<u>7,173,676</u>	<u>136,961</u>	<u>124,970</u>	<u>(549,334)</u>	<u>6,886,273</u>
<b>TOTAL SPECIFIC AND GENERAL</b>	8,824,770	161,079	142,690	(621,582)	<b>8,506,957</b>
Pension fund reserve	-	(31,000)	-	31,000	-
<b>TOTAL FUNDS</b>	<u>8,824,770</u>	<u>130,079</u>	<u>142,690</u>	<u>(590,582)</u>	<u>8,506,957</u>

**16. FINANCIAL COMMITMENTS**

At 31 December 2018, the group and company had the following minimum commitments under non-cancellable operating leases expiring as follows:

	<b>Land and building</b>		<b>Furniture and equipment</b>	
	<b>2018</b>	<i>2017</i>	<b>2018</b>	<i>2017</i>
	£	£	£	£
In less than one year	<b>55,833</b>	55,833	<b>13,457</b>	25,414
Within two to five years	<b>55,833</b>	111,666	<b>2,495</b>	4,245
In more than five years		-		-



**THE ROYAL COLLEGE OF MIDWIVES**  
**NOTES TO THE ACCOUNTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Operating surplus	<b>4,593</b>	133,592
Depreciation	<b>42,933</b>	47,390
(Increase)/decrease in debtors	<b>217,481</b>	(194,138)
Increase in creditors	<b>116,927</b>	50,456
Charitable grants paid	<b>(25,795)</b>	(19,103)
Pension current costs	<b>781,000</b>	754,000
Contribution by employer	<b>(750,000)</b>	(794,000)
	<b><u>387,139</u></b>	<b><u>(21,803)</u></b>

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

	<b>2017</b>	<b>Change in year</b>	<b>2018</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Cash at bank and in hand	2,039,784	<b><u>(103,733)</u></b>	<b><u>1,936,051</u></b>

**19. SUBSIDIARY UNDERTAKINGS**

The RCM is the ultimate parent entity of the RCM Group. At 31 December 2018, the RCMT and RCM Trust Trading Company Limited 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. Both 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 2018**

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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 2018:

Income	£9,997,832
Expenditure	£9,414,835

- b) The total income for the union for the period ended 31 December 2018 includes £ 8,612,158 of payments in respect of membership.
- c) The union has no political fund.
- d) The CEOs received a gross salary of £148,733 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.