

THE ROYAL ACADEMY OF ARTS

(A Company Limited by Guarantee)

Registered Charity No. 1125383

Registered Company No. 06298947

ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 AUGUST 2020

The Royal Academy of Arts
Trustees' Report
For the year ended 31 August 2020

Registered Charity No. 1125383

Registered Company No. 06298947

PRESIDENT AND COUNCIL:

In the financial year and at the date of signing:

President

Christopher Le Brun PRA (resigned 10 December 2019)

Rebecca Salter PRA (appointed 10 December 2019)

Council

Ron Arad RA (resigned 6 October 2020)

His Honour Judge Tony Baumgartner (appointed 1 October 2019)

Helen Boaden

Stephen Chambers RA (appointed 6 October 2020)

Ann Christopher RA (appointed 6 October 2020)

Anne Desmet RA (resigned 1 October 2019)

Professor Stephen Farthing RA (appointed 1 October 2019; resigned 1 August 2020)

Brendan Finucane QC (resigned 1 October 2019)

Simon Friend

Piers Gough CBE RA (appointed 6 October 2020)

Prof Lubaina Himid CBE RA Elect (appointed 6 October 2020)

Gary Hume RA

Louisa Hutton OBE RA (resigned 6 October 2020)

Vanessa Jackson RA (appointed 4 February 2020)

Michael Landy RA (resigned 6 October 2020)

Jock McFadyen RA (appointed 6 October 2020)

Professor David Mach RA (appointed 1 October 2019; resigned 14 September 2020)

Professor Farshid Moussavi OBE RA (appointed 1 October 2019; resigned 6 October 2020)

Humphrey Ocean RA

Hughie O'Donoghue RA (resigned 18 September 2020)

Eric Parry RA (resigned 1 October 2019)

Grayson Perry CBE RA (appointed 1 October 2019)

Professor Cathie Pilkington RA (resigned 1 October 2019; appointed 1 August 2020; resigned 6 October 2020)

Fiona Rae RA (resigned 1 October 2019; appointed 6 October 2020)

Peter Randall-Page RA (appointed 1 October 2019; resigned 6 October 2020)

Eva Rothschild RA (appointed 1 October 2019)

Peter St John RA (appointed 6 October 2020)

Wolfgang Tillmans RA (resigned 1 October 2019)

Rebecca Warren RA (resigned 1 October 2019)

Richard Wilson RA (resigned 1 October 2019)

Chris Wilkinson OBE RA (appointed 14 September 2020; resigned 6 October 2020)

Officers

Christopher Le Brun PRA (resigned 10 December 2019)

Rebecca Salter PRA (appointed 10 December 2019)

Rebecca Salter PRA (resigned 10 December 2019)

Professor Cathie Pilkington RA (appointed 7 July 2020)

Chris Wilkinson OBE RA (retired 31 October 2020)

Peter St John (appointed 1 November 2020)

Axel Rüger

President

President

Keeper

Keeper

Treasurer

Treasurer

Secretary and Chief Executive

Company Secretary

Benedict Anstey

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Royal Academy Committees

at the date of signing¹:

Senior Leadership Team

Axel Rüger
Charlotte Appleyard
Eliza Bonham Carter
Carl Hitchcock
Rebecca Lyons
Natasha Mitchell
Jo Prosser
Andrea Tarsia

Exhibitions Committee

Stephen Chambers RA (Chairman)
Professor Josephine Dawn Ades CBE FBA
Professor Brian Catling RA
Richard Deacon CBE RA
Anne Desmet RA
Louisa Hutton OBE RA
Professor Chantal Joffe RA
Jane and Louise Wilson RA ELECT
President *ex officio*
Treasurer *ex officio*
Keeper *ex officio*

Finance Committee

Peter St John (Chairman)
Simon Friend
Pesh Framjee
Andrea O'Keeffe
Conrad Shawcross RA
Peter Williams

Audit Committee

Simon Friend (Chairman)
Ann Christopher RA
John Collier
Anne Desmet RA
Clive Humby
Professor Ian Ritchie CBE RA

Remuneration Committee

Helen Boaden (Chairperson)
John Collier
Kerstin Mogull
Eric Parry RA
Bill Woodrow RA

Professional Advisors:

Auditors

Moore Kingston Smith LLP
Devonshire House
60 Goswell Road
London EC1M 7AD

Bankers

Lloyds Bank Plc
4th Floor
25 Gresham Street
London EC2R 8LA

Investment Managers

Sarasin & Partners LLP
Juxon House
100 St Paul's Churchyard
London EC4M 8BU

Solicitors

Macfarlanes LLP
20 Cursitor Street
London EC4A 1LT

Withers LLP
16 Old Bailey
London EC4M 7EG

Birketts LLP
141-145 Princes Street
Ipswich IP1 1QJ

Registered Office

Burlington House
Piccadilly
London W1J 0BD

¹ Other committees of Council not detailed here are: Annual Dinner Committee; Architecture Committee; Buildings Committee; Collections and Library Committee; Learning Committee; Schools Committee; and Summer Exhibition Committee.

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CONSTITUTION AND CHARITABLE OBJECTIVES

Constitution

The Royal Academy of Arts ("Royal Academy" or "RA" or "Academy") was incorporated as a company limited by guarantee on 2 July 2007, company registration number 06298947, and registered as a charity on 6 August 2008, charity registration number 1125383.

The incorporated Royal Academy commenced trading on 1 September 2009 following the transfer of the net assets and undertakings from the unincorporated Royal Academy, charity registration number 212798.

The Royal Academy today continues to aspire, in the words of its 18th century founders, to "promote the arts of design". It believes in learning through first-hand experience of the arts and is unique in its combination of practical work, exhibitions and learning programmes.

Its members, the Royal Academicians ("Academicians"), are painters, sculptors, architects, engravers, printmakers and draughtsman elected by their peers for their distinction as artists. There are up to 100 active Academicians (under the age of 75) who form the General Assembly and a number of senior Academicians (over the age of 75).

The Royal Academy receives no direct revenue support from the government or any other public body.

The Royal Academy's charitable objects are:

- The promotion of the arts of design
- The education of the public in the creation, enjoyment, appreciation and understanding of the arts, through exhibitions, educational programmes and debate by all charitable means as the members of Council may think fit.

Governance and management

The Royal Academy is governed by its Board of Directors or trustees, who are referred to as the Council of the Royal Academy. The Council consists of thirteen Academicians, up to three individuals who are not Academicians, and the President.

Six seats in the Council go by rotation to all the Academicians, three go to newly elected Academicians and four are elected by the General Assembly of all Academicians. Academicians serve for one year (if newly elected) or two years for their second and subsequent terms. Elected Academicians serve for two years and are able to be re-elected for a further two terms of two years. The external members of Council are elected for a period of two years and may be re-elected for two further terms of two years. No member of Council may serve more than three consecutive terms.

The President serves on Council ex officio. The Keeper and the Treasurer attend Council but are not members of Council. However, the current Treasurer Peter St John is serving his first one year term on Council as a newly elected Royal Academician.

Council normally meets monthly between October and the following July (but not in January); however, to direct the Royal Academy through the Covid-19 pandemic, Council met weekly in March 2020 and then fortnightly from April 2020 until December 2020. Changes in rules, elections, and discussion on important issues of the moment take place at General Assemblies, held three times a year. Council is responsible for approving adequate arrangements for induction and training for new Council members.

Newly elected Council members are:

- given a detailed "induction pack" of documents, which includes guidance on trustees' roles and duties and a copy of the Memorandum and Articles of Association of the Royal Academy, together with the Laws and the Administrative Instructions, which together form the governing documents of the RA and set out its structure, role and responsibilities;
- given copies of the annual reports and financial management reports;
- required to sign the Roll of Obligation (Academicians only);
- provided with an induction session before the first (October) Council meeting of the financial year, conducted by the RA's General Counsel, Secretary and Chief Executive and Director of Finance, which includes training on their duties as trustees and company directors;
- together with continuing Council members, provided with charity trustee training run externally by a specialist law firm; and
- invited to meet with members of the Executive Committee (now called the Senior Leadership Team ("the SLT")).

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The Secretary and Chief Executive has delegated authority for the day-to-day running of the Royal Academy and, together with the President, Keeper and Treasurer, is an Officer of the RA and attends Council meetings.

The Royal Academy has three wholly owned trading subsidiaries: R.A. Enterprises Limited, Burlington House Limited and RA (Arts) Limited. Although these are separate legal entities, they are regarded as part of the Royal Academy "group" for management purposes and are included in the consolidated financial statements.

The Executive Committee (SLT), comprising senior members of staff and led by the Secretary and Chief Executive, has delegated responsibility for the day-to-day running of the Royal Academy and implements policies and strategies in accordance with the Administrative Instructions issued by Council. The Secretary and Chief Executive reports to Council.

The Finance Committee, currently composed of Council members, Academicians, external members appointed by Council (which includes a trustee of the Royal Academy Trust) and attended by senior members of staff and external advisors, makes recommendations to Council on the finances of the Royal Academy. The remit of the Finance Committee is to advise Council on matters of a financial nature and to oversee the financial management of the Royal Academy. The Finance Committee usually meets at least six times a year; however, the Committee has met at least monthly from March 2020 through to December 2020 during the Covid-19 pandemic.

The Audit Committee consisting of three Academicians and three external advisors reports to General Assembly through Council. Committee members are appointed initially for three years and the Committee usually meets at least four times a year. The remit of the Audit Committee is to monitor and review the systems of internal financial control, risk management and financial reporting and to advise Council on matters arising as appropriate. The Audit Committee has the unrestricted power to enquire into any item or items of income and expenditure or any matter giving rise to a risk that may require mitigation of the Royal Academy "group". It has the specific responsibilities to receive the annual report and consolidated financial statements, together with the auditors' report thereon, and to submit these documents to Council with the Audit Committee's comments, prior to publishing and distributing their comments to all Academicians for the General Assembly. The Audit Committee advises General Assembly on the stewardship of arrangements with internal and external audit and reports at least once a year to Council on the financial condition of the Royal Academy "group".

The Exhibitions Committee consists of up to 15 members, to include the President of the Royal Academy, the Treasurer, the Keeper and a minimum of seven Academicians, not including the Officers. The Committee is responsible to Council for the exhibitions programme of the Royal Academy, with the object of crossing cultures and periods and aiming to engage, inspire and resonate with the Royal Academy's audiences and members. The Exhibitions Committee is responsible for: considering exhibition proposals; receiving recommendations for approval from the Architecture Committee and Collections Committee; advising Council on the work of the Exhibitions Department; overseeing exhibition projects; providing Council (via the Finance Committee) with regular financial reports; informing Council of changes to the exhibitions programme.

The Remuneration Committee consisting of Academicians, a member of Council and external specialist pay and benefits advisors, makes recommendations to Council. The remit of the Remuneration Committee includes responsibility for the general remuneration policy of the Royal Academy; the stipend paid to Academician Officers; the remuneration of the Secretary and Chief Executive and members of the SLT ("Key Management Personnel"); payments made by the Royal Academy to Academicians for their services; pension arrangements for Royal Academy employees; and incentive scheme arrangements and their constructs for Royal Academy employees. The Committee meets at least once but normally four times a year. The remuneration policy for Key Management Personnel is expected to follow the arrangements for other staff, except in the case of exceptional performance, based on appraisals and the written recommendation of the Secretary and Chief Executive, in which case it may be regarded as appropriate to either offer a one off, non-consolidated bonus, or to make an adjustment to their salary. The Secretary and Chief Executive will make his recommendations for Key Management Personnel to the Remuneration Committee based on their performance, together with affordability and relevant market and sector rates of pay according to independent benchmarking tools.

Connected charities

The Royal Academy Trust, set up in 1981 to provide funds for the support of the Royal Academy, is separately registered as a charity with its own trustees. As it is not controlled by the Royal Academy, its resources have not been consolidated with those of the Royal Academy.

The Friends of the Royal Academy, a separate charity with its own trustees, was incorporated as a company limited by guarantee in December 1976 to support the work of the Royal Academy. As with the Royal Academy Trust, it is not controlled by the Royal Academy and its resources have not been consolidated with those of the Royal Academy.

Another separate, independent organisation – Royal Academy America – based in New York, existed to raise money for the Royal Academy. As with the Royal Academy Trust and Friends of the Royal Academy, this entity was not controlled by the Royal Academy and its resources have not been consolidated with those of the Royal Academy. On 30 September 2020, a certificate of dissolution was signed, as part of the process for winding up this entity. In

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future, Royal Academy fundraising in the U.S. will be conducted through a partner organisation – the King Baudouin Foundation.

Trustees' duties in relation to Section 172 of the Companies Act 2006

Members of Council, as directors of the Royal Academy, must act in accordance with a set of general duties as detailed in Section 172 of the Companies Act 2006, which includes a duty to promote the success of the organisation, and in doing so have regard (amongst other matters) to:

- The likely consequences of any long-term decision
- The interests of the organisation's employees
- The need to foster the organisation's business relationships with suppliers, customers and others
- The impact of the organisation's operations on the community and the environment
- The desirability of the organisation to maintain a reputation for high standards of business conduct

This report summarises above the Royal Academy's governance framework, and its values and behaviours and how it has engaged with stakeholders throughout the year are considered further in this report. Council has considered the views and needs of key stakeholders in Council discussions and decision making. The following are not intended to be an exhaustive list but are illustrative of how Council has fulfilled its duties throughout the year.

Decision making

As part of their induction, new members of Council are briefed on their duties, as detailed on page 3. The Secretary and Chief Executive has delegated authority for the day-to-day running of the Royal Academy and, together with the President, Keeper and Treasurer, is an Officer of the RA and attends Council meetings. Council normally meets monthly between October and the following July (but not in January) and receives papers and reports on key strategic matters at each meeting in order to provide assurance and to assist Council in their decision making. In addition to this, a detailed risk management framework is used to identify and manage risks in all the Royal Academy's activities. For further details on our risk management framework and principal risks and uncertainties please refer to page 23.

Stakeholder engagement

Staff and volunteers

The Royal Academy's staff, together with its casuals and volunteers, are central to its ability to deliver its charitable mission. The Royal Academy has a clear set of values linked to its mission and is committed to being both an inclusive, diverse and flexible employer. The Royal Academy works to ensure that no disadvantage or prejudice is shown on account of race, age, gender, disability or any other protected characteristics. Further information on gender pay and reporting, diversity and inclusion and disability and wellbeing is provided in other sections of this report. The Royal Academy will continue its work on inclusion and racial equity across all aspects of the RA and is mindful of the ways that it can rebuild its programmes and the organisation to make every visitor feel welcome, and to create a more equitable workplace and place of study.

Staff are invited to submit questions in regular "All Staff Meetings" and take part in a programme of "Show and Tell" sessions to raise awareness of the work of the broader organisation. Academicians and Professors of the Royal Academy Schools have participated alongside staff of the RA. The Senior Leadership Team meet on a regular basis to discuss key activities, ways of working and to cascade messages throughout the organisation, in addition to sharing feedback from Council or its various committees. All staff were invited to participate in a staff survey in the first half of 2019, which aimed to draw out points of focus for the Senior Leadership Team and Council. One of the points arising, which the Senior Leadership Team has sought to improve, is communication to ensure transparent and timely updates of key decisions. This has proved particularly important during the Covid-19 pandemic, with the decisions made to close to the public in March 2020 and subsequently reopen in July 2020 and with these decisions consideration of the impact to staff health and safety and wellbeing, for both those on site and those experiencing extended periods of working from home.

Business relationships with suppliers, customers and others

The delivery of the Royal Academy's charitable aims and objectives is dependent on a range of relationships with suppliers and other business partners. Council has encouraged the Senior Leadership Team and wider management to develop and maintain trusted partnerships with both and expects the Royal Academy's partners to be aligned with its values. The Royal Academy seeks to act with honesty and integrity in all it does to deliver the best value for money in our mission to "work together to promote the arts of design; and educate the public in creation, enjoyment and understanding of the arts through exhibition, education and debate." Partner organisations are expected to comply with the requirements of any professional standards, or trade bodies, depending on their activities, and all applicable laws, statutes, regulations and codes of practice relating to anti-bribery and anti-corruption.

The Royal Academy has a zero-tolerance approach to modern slavery and strives to act ethically and with integrity in all of its business dealings and relationships to ensure that modern slavery does not take place in its own

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organisation or in any of its supply chains. The Royal Academy will continue to ensure that this approach is clear to partner organisations.

Further details of the Royal Academy's policies in relation to its business relationships with companies, suppliers, customers and others, including supplier Terms and Conditions are available on the Royal Academy's website and a statement on Modern Slavery can be found at: royalacademy.org.uk/modern-slavery-and-human-trafficking-statement.

Sustainability and environmental impact

Council recognises the threats posed by climate change, pollution and resource depletion and the need to address these through effective and ethical decision making. The Royal Academy launched a Sustainability Taskforce last year with a series of commitments to ensure that its environmental and economic impact are considered. Further information on sustainability initiatives can be found on page 15, along with our Streamlined Energy and Carbon Reporting (SECR).

Governance reviews and Charity Governance Code

The Royal Academy and its trustees take good governance seriously and are aware of the Charity Governance Code, including its seven main principles.

2016 review

In 2016 a detailed governance review was carried out, including recommendations to improve areas on decision-making, risk and control. This included reviewing memberships of committees and introducing clear and precise terms of reference for those committees, following a standard format. Building on this and other work, the Royal Academy has:

- Reviewed and updated terms of reference for all committees and governance bodies, including specific attention to confidentiality and data protection;
- Reviewed and updated the Royal Academy's Administrative Instructions;
- Introduced improved policies and procedures relating to areas such as whistleblowing, incident reporting and data protection; and
- Continued to implement and embed policies and governance structures relating to areas such as gift acceptance and conflicts of interest.

2020 review

In July 2020, Mazars (the Royal Academy's internal auditors) produced a report from a review of the Royal Academy's corporate governance. The review assessed the core functions of corporate governance at the Royal Academy, the extent of any key changes in corporate governance that had been embedded following the appointment of the Secretary and Chief Executive, as well as considering the guidance contained in the seven principles for good governance set out in the Charity Governance Code. The review found "adequate assurance" overall in terms of the Royal Academy's "internal controls". Examples of where controls were found to be operating reliably included:

- "Roles, responsibilities and accountabilities of Council, committees, directors and trustees are clearly defined and [...] decisions are recorded for transparency";
- "...the structure, objective and reporting lines of key committees have been clearly defined [in Terms of Reference]"; and
- "[Council minutes provide] suitable documentation of discussion for all meetings reviewed. This provides an effective record of the meeting, and of actions and decisions emerging from this".

The report included eight principal recommendations, of which: none were considered "fundamental"; five were considered "significant"; and three were considered "housekeeping". The five "significant" recommendations related to:

- Council, board and committee induction and training;
- Skills mix (on committees and boards);
- Clarification of reporting structures and cross-committee communication;
- Board effectiveness (recommending this be reviewed); and
- Conflicts of interest (completing registers and managing this in the future).

In terms of assessment against the seven principles set out in the Charity Governance Code, the review found:

- Two areas "generally aligned" - "Organisational purpose" and "Integrity";
- Four areas "partially aligned" - "Leadership", "Decision making, risk and control", "Diversity", and "Openness and accountability"; and
- One area "did not align" - "Board effectiveness". This finding was because the Royal Academy has not undertaken specific board effectiveness review exercises, rather than indicating that the board is ineffective.

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Some steps have been taken already which help improve in the areas raised by the review. For example, Council induction and training has been reviewed and enhanced; Council now maintains a separate log of actions and decisions in addition to minutes; the approach to minute-taking at Council has been reviewed; and conflicts of interest registers are continually improving. The Royal Academy will continue to monitor and improve its governance processes, in particular taking into account the outcomes of the reviews described, and prioritising specific areas for development and improvement.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Royal Academy continues and that appropriate adaptations are made. It is the policy of the Royal Academy that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee consultation

The Royal Academy places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Royal Academy. This is achieved through formal and informal meetings including the regular "Show and Tell" sessions, All Staff Meetings and on the Royal Academy's intranet. This has been particularly important and challenging during the Covid-19 pandemic, during which regular All Staff Meetings have been held using Zoom supplementing regular all staff e-mails sent by both the Secretary and Chief Executive and the President.

Current year objectives

In the autumn of 2019, the Royal Academy commenced a strategic review of its objectives and operations. A first assessment of the state of the RA was presented to Council in February 2020, describing a range of issues that needed addressing across the different parts of the organisation. This review followed on from the delivery of the previous five year Strategic Plan 2013-2018 culminating in the RA's 250th anniversary – a period of substantial expansion – but also reflected the assessment of the newly appointed Secretary and Chief Executive and, in particular, identified the need to create a financially robust and sustainable model going forward. It was acknowledged that significant changes to the organisation were needed to place the RA on a more financially sustainable footing.

Coronavirus (Covid-19) pandemic

As these changes were being considered, the situation was exacerbated with the onset of the Covid-19 pandemic which forced the RA to close its doors to the public in March 2020. The RA remained closed for almost four months and, apart from continued contributions from its loyal Friends, Patrons, corporate sponsors and e-commerce (from May 2020), lost all revenue from its other critical income streams – namely ticket sales, on-site retail, catering and venue hire. The RA was able to re-open its doors in July 2020 under government restrictions but only to a much-reduced visitor capacity allowing for 20-25% of normal attendance. Many of its income generating activities, including its expanded public programme of events and lectures, have still not been able to resume.

Given the severe impact of the pandemic, the RA faced a forecast annual shortfall of £10m over the next two financial years. Moreover, the projected timeline for managing the impact of the virus coupled with the economic outlook over the next two years suggests it could take as long as five years for the RA to return to income levels seen pre-Covid-19.

Over the summer of 2020, the pre-pandemic Strategic Plan and its priorities were reviewed in full, and in September 2020 the RA worked intensively on a vision for its programme of activity, audience strategy and cost base to ensure its survival over the coming five years, in order to both mitigate the forecast shortfall over the next two years, and to be financially sustainable over the medium and long term. This formed the basis for a re-organisation the RA has embarked on since the start of the new financial year.

Vision 2021-25

The Royal Academy of Arts is one of the oldest arts organisations in the United Kingdom. Founded in 1768 by a group of artists, it has remained an artists' association, led by its members, the Royal Academicians, to the present day. As a "Home for art, artists and architects" the RA has as its founding mission to "work together to promote the arts of design; and educate the public in creation, enjoyment and understanding of the arts through exhibition, education and debate." Going forward, the RA intends to focus on the "core" activities that support these founding principles: the Membership of the Royal Academicians, the RA Schools, its exhibitions programme, its Collection, and its commitment to learning, all with a view to retain and further develop its audiences and re-build its income streams.

In order to protect and sustain the "core" RA mission activities, in the immediate future the RA will:

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Focus on an essential programme that serves its audiences

Critical to this is an ambitious, international, inspiring and diverse exhibitions programme, as well as continued engagement with audiences on site, online and in print.

Continue to welcome and serve its audiences

The RA is known for its warm and convivial atmosphere and the sense of community it creates. It will need to continue to provide the characteristic hospitality and safe environment that RA audiences have come to expect and to uphold an excellence of experience, onsite and online.

Prioritise cost reduction for a five year horizon

The recent history of the RA has been defined by growth; the opening of the RA's new extended campus in 2018 sparked growing ambitions, increasing levels of activity and an expanding staff base. In the next five years, the RA will need to focus on sustainability and reinforcing the foundations of its operating model.

In order to respond to the extent of the shortfall in income due to Covid-19 over the next two years the RA will need to reduce activity more significantly. Much of this activity would also be impractical due to Covid-19 restrictions. This period needs to act as a "circuit breaker" that will save a significant amount of money and set the RA up for the next phase of recovery. Following this initial period, the next three years will need to reflect a disciplined and sustainable approach as the RA establishes its post Covid-19 "new normal".

Proactively support race and gender equity and inclusion

At the Royal Academy we work to ensure that no disadvantage or prejudice is shown on account of race, age, gender, disability or any other protected characteristics.

We continue our work on inclusion and racial equity across all aspects of the RA and are mindful of the ways that we can rebuild our programmes and our institution to make every visitor feel welcome, and to create a more equitable workplace and place of study.

Continue to improve the sustainability of its infrastructure

The RA recognises the importance of environmental sustainability and is determined to implement sustainable practices throughout the organisation. The RA is committed to acting responsibly and sustainably, and to this end has established the Sustainability Taskforce group to provide a forum for discussion and collaboration, to strengthen the organisation's vision and ambitions for becoming more environmentally sustainable, and to encourage staff to commit to their individual responsibilities to act more sustainably.

Senior Leadership Team

In order to deliver these ambitions, in September 2020 the Royal Academy restructured its previous Executive and announced a new Senior Leadership Team to support decision making and execution across the organisation. Led by the Secretary and Chief Executive, seven directors assumed responsibility for the following areas: Audiences and Experience, Exhibitions, Collections and Learning, the RA Schools, Development, Corporate Services, and Finance.

ACTIVITIES, ACHIEVEMENTS AND IMPACT

Review of activities

Looking back on 2019/20, we chart our progress within the seven pillars described above.

Audiences and Experience

The year was characterised by an increased and sustained commitment to visitors and their experience of the RA offer, both in person and online. As part of the impending re-organisation, the strategic and financial importance of understanding visitor motivations and feedback was reflected in the creation of the new Audiences and Experience pillar, which unites all audience-facing departments and connects their direction.

The RA's 2019/20 season launched strongly, with *Antony Gormley* being ranked as the most attended paid-for London exhibition of 2019. The exhibition received extensive press coverage in the UK and internationally, including an exclusive behind-the-scenes feature on BBC's *The One Show*. Exceptionally, three national TV items on the exhibition ran successively in one evening (*The One Show*, *Channel 4 News* and *ITV News at Ten*). Visitor experience was prioritised at each stage of the exhibition run, with strong digital promotion and a focus on online booking leading to 70% of bookings being made online. A series of short films took audiences inside the exhibition, using a drone camera to show otherwise unseen views of the works, and behind the scenes of its making in the studio with the artist. Designed in multiple formats to reach across the RA's channels, they were watched 350,000 times. The *Antony Gormley* page on the RA website attracted a record 1,379,590 views and generated £2.0m in online revenue for ticket sales.

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The audience for *Antony Gormley* included over 40,000 first time bookers and high attendance by under 16s and students. Further diversity was reflected in 25% of the audience to the exhibition coming from outside London and the south east. Audience appetite for peak pricing was also tested for the first time, which drove a 10% increase in income, generating over £0.2m in incremental income. The physical nature of the exhibition, and the requirement for constant vigilance and circulation management within the galleries, created new standards of training and customer care delivered by RA Front of House teams. This additional level of service and care was also evident in the exhibition *Eco-Visionaries: confronting a planet in a state of emergency*, where a high level of understanding of the exhibition's themes and values was required.

Autumn 2019 delivered the first major season of the new retail strategy, which was developed through 2018/19. The exhibition range for *Antony Gormley* included special editions, collaborations and selections by the artist, integrated with the wider retail offer. This range contributed to the highest recorded spend per head and attracted critical acclaim. RA Publishing developed a series of successful titles including major exhibition catalogues and books created in conjunction with Royal Academicians, such as Rose Wylie RA and Professor Humphrey Ocean RA.

In early 2019/20, public areas in the RA's extended campus were reconsidered to maximise visitor experience and satisfaction. New signage, seating and design principles were introduced in the Wohl Entrance Hall and landing, as well as all corridors and common areas. Visitor welcome was also the driving factor in a thematic takeover of the entrance to *Picasso and Paper* in January 2020, which saw the Burlington House stairs and vestibule transformed into a celebration of paper and texture. The *Picasso and Paper* spectacle continued beyond the Academy's walls in a special screening of a 30-minute film about the exhibition on the famous Piccadilly Circus billboards, in collaboration with Ocean Media. This impressive sight, and first for the RA, was the result of a collaborative project across the organisation involving Development, Digital, Marketing, Design and Exhibitions.

The onset of the Coronavirus pandemic and abrupt closure of the RA on 17 March 2020 was sudden and shocking for both audiences and staff and required quick thinking to ensure a continuity of service.

E-commerce was swiftly reorganised and returned quickly in May 2020, as did the activities of the RA Magazine and Marketing, which worked to retain loyal audiences and Friends in particular. The RA developed a sector-leading presence online, driving huge visitor numbers and engagement with activities such as the #RADailyDoodle. The hashtag reached up to 100 million Twitter feeds and was featured widely in the UK press as well as the New York Times. Friends and wider audiences engaged strongly with the RA's digital content during the Coronavirus-imposed lockdown, with visits to written and multimedia editorial content up 400% on an average month with around 400,000 page-views. Video consumption across RA platforms increased by nearly 400% on the previous year, largely due to virtual exhibition tours created in this period. The RA gained nearly 70,000 new social media followers in the months of closure, compared with 30,000 in the previous period, and overall engagement on social media increased by 102% year on year. Traffic to the RA website from social media increased by 41%, with overall website traffic peaking at nearly 80,000 daily views. The year also saw record engagement for RA emails, with engagement growing by 192% among Friends and 207% among public audiences during closure, compared to pre-closure averages. Email was frequently the primary source of traffic to the RA website during closure, with 6,000 additional sign ups counted compared to 2,000 in the preceding four months.

Summer 2020 saw intensive work on a plan to reopen the Royal Academy following the lifting of the Coronavirus lockdown measures. Audience confidence and engagement were central to the final three phased approach to gradually increase the space, days and opening hours available in order to build staff and visitor reassurance steadily and carefully. The RA was the second major cultural institution to officially reopen after the lockdown on 9 July 2020 when it hosted a special visit from the Secretary of State for Digital, Culture, Media and Sport, the Rt Hon Oliver Dowden. The Secretary of State took part in a short ceremony launching the government's Culture Recovery Fund, before visiting *Picasso and Paper* with Rebecca Salter PRA and Secretary and Chief Executive, Axel Rüger. Throughout the gradual reopening of the RA, Front of House teams delivered an immaculately planned and designed experience, maintaining safe, clean environments and processes with RA humour and charm. A strong visitor-facing identity and tone of voice was developed in collaboration with Front of House teams and the direct, personal connection they have with visitors. Audience feedback since the reopening has been strongly positive, underlining the importance of visitor satisfaction and support as the RA looks to build its audiences in 2020/21.

Exhibitions

Main Galleries

Antony Gormley (September – December 2019) was the artist's most significant UK show in over a decade, and the first to unite works created throughout his 45-year career. The exhibition brought together existing and new works conceived especially in response to the RA's historic galleries, ranging from drawings and sculptures to expansive and immersive installations that explored Gormley's use of natural and industrial materials including clay, seawater, beaten lead, cast iron, concrete and engineered steel. The exhibition focused on Gormley's enduring preoccupation with the body and its relationship to its surroundings, creating a series of immersive experiences that engaged visitors

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using scale, darkness and light, smell and touch. Highlights included *CLEARING X (2019)*, a chaotic energy field of arcs and coils of 30mm-square aluminium tube, held in place by the bounding walls and ceiling of the RA's Large Weston Room. In the largest gallery, a cloud of room sized volumes of steel mesh drifted above visitors' heads in a piece called *MATRIX (2019)*. Visitors were invited to physically enter a new work, *CAVE (2019)*: a body-shaped cluster of cuboid voids, set at apparently random angles. This hunched, looming form all but filled the gallery it occupied, and the slow passage through its series of dark and light chambers prompted an awareness of the interior space of visitors' own bodies. The exhibition was visited by a total of 284,274 people, with an average daily attendance of 3,842. This exhibition was supported by BNP Paribas, White Cube, The Blavatnik Family Foundation, The Steel Charitable Trust, Cate Olson and Nash Robbins and Arcelor Mittal.

Picasso's dedicated and intense engagement with paper was the subject of *Picasso and Paper* (January – March 2020; August – September 2020). The exhibition united over 300 works spanning the artist's entire career, unfolding within a broadly chronological framework. It explored how Picasso invented a universe of art involving paper in myriad forms – from collages and sculptures created from pieces of torn and burnt paper – to manipulated photographs, experimental graphic works, and prints using everyday ephemera like newspapers and napkins. Among the highlights were *Femmes à leur toilette (1937-38)* – an extraordinary 4.8-metre-wide collage, Cubist papiers-collés guitars, and sketchbooks containing studies for *Les Demoiselles d'Avignon*. The exhibition also included a small number of closely related paintings and sculptures, including Picasso's great masterpiece of the Blue Period, *La Vie (1903)*, his bronze *Head of a Woman (Fernande) (1909)*, and the documentary film *Le Mystère Picasso (1955)*. The exhibition was organised in collaboration with the Musée National Picasso, Paris and the Cleveland Museum of Art. Owing to the Coronavirus pandemic, *Picasso and Paper* closed in spring 2020 for half of its intended run and was extended until 2 August 2020 under capacity restrictions. A total of 125,875 people attended. The exhibition was supported by the City of Malaga, La Fundación Bancaria Unicaja, Unicaja Banco, Diputación de Málaga Costa del Sol, Viking, Tavolozza Foundation, The Magic Trust, Estrella Damm, and Argile.

Sackler Wing of Galleries

An exhibition of Lucian Freud's work was the first to focus on his career defining self-portraits. *Lucian Freud: The Self-Portraits* (October 2019 – January 2020) supported by Phillips, Offer Waterman and Ömer Koç united around 50 works spanning seven decades, executed on canvas, paper, and etching plate. The exhibition, seen by 133,704 people, charted a trajectory through Freud's development as a painter, exploring how he turned to self-portraiture at key moments in his practice. It also charted a life's journey, from young boy to old man, in an ongoing study into the process of physical ageing. Highlights included Freud's first major self-portrait *Man with a Feather (1943)* and *Hotel Bedroom (1954)*, the last work he painted sitting down at the easel. The exhibition was organised in collaboration with the Museum of Fine Arts, Boston. A film of the exhibition by Exhibition on Screen was aired in cinemas worldwide in January 2020.

Léon Spilliaert (February – March 2020; August – September 2020), supported by the Government of Flanders and Sotheby's Belgium was the first major exhibition of the Belgian artist to be held in the UK. Uniting around 80 works drawn from public and private collections across Europe and the USA, the exhibition offered a rare opportunity to discover the intriguing, singular artist, whose atmospheric works are often imbued with a sense of mystery, poetry and melancholy. The exhibition was organised in four thematic sections that focused on Spilliaert's engagement with literature, theatre and book illustration; quiet still life and interior scenes; his fascination with the liminal areas between land and sea; and his recurring interest in self-portraiture. The exhibition closed shortly after opening due to the RA's closure; however, was able to reopen in July 2020 thanks to the generosity of lenders and the exhibition's partner, the Musée d'Orsay, which was prepared to postpone the opening date of its exhibition. *Léon Spilliaert* was seen by a total of 18,089 people under capacity restrictions.

Gabrielle Jungels-Winkler Galleries

Helene Schjerfbeck (July – October 2019) supported by the Jane and Aatos Erkko Foundation and the Athene Foundation was the first presentation in the UK of Finland's most celebrated artist. The exhibition charted Schjerfbeck's stylistic shift from the studied naturalism of the late 19th century to a radical form of figurative modernism, exemplified by the abstracted self-portraits for which she is best known. Most works were loaned from exhibition partner Ateneum Art Museum, part of the Finnish National Gallery in Helsinki. Others drawn from private collections in Europe are rarely seen. Highlights included a series of 17 progressively abstracted and increasingly raw works painted throughout the artist's life from the age of 22 to 83, that revealed Schjerfbeck's fascination with aging and the physical deterioration of the self. *Helene Schjerfbeck* was visited by a total of 68,410 people.

The multidisciplinary exhibition *Eco-Visionaries: Confronting a planet in a state of emergency* (November 2019 – February 2020) explored global ecological challenges through the work of contemporary artists and architects. Seen by 46,526 people, it brought together immersive films and photography, interactive installations, architectural models and digital media, all of which considered the impact of humans on the planet or proposed alternative visions for the future. Participants included architects Unknown Fields, Andrés Jaque / Office for Political Innovation, and Philippe Rahm Architects, artists Olafur Eliasson, Tue Greenfort and Rimini Protokoll, and designers Dunne & Raby and Daisy Ginsberg. The exhibition was a collaborative project developed between several European museums, including

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MAAT (Lisbon, Portugal), Bildmuseet (Umeå, Sweden), HeK (Basel, Switzerland), LABoral (Gijón, Spain) and Matadero (Madrid, Spain). This exhibition was supported by Octopus Energy, Scott and Laura Malkin, the Swiss Arts Council Pro Helvetia and International Patrons of the Royal Academy of Arts.

As a result of the Coronavirus pandemic, two exhibitions scheduled for the summer of 2020 were unfortunately cancelled: *Angelica Kauffman*, organised in collaboration with the Museum Kunstpalast, Düsseldorf, and *Cézanne: The Rock and Quarry Paintings*, organised in collaboration with Princeton Art Museum. *Gauguin and the Impressionists: Masterpieces from the Ordrupgaard Collection* was postponed to August 2020 and the *Summer Exhibition 2020* was postponed to October 2020. Both exhibitions will therefore be covered in our 2020/21 review.

Architecture Studio and Programme

The Architecture Studio hosted three installations with a variety of experimental formats and focuses. *What is radical today? 40 positions on architecture* (September – November 2019) showcased visual responses to the titular question “what is radical today?” by leading architects, artists, academics and creatives from around the world. The installation was designed by How About Studio with in-kind material support from FINSA. For the first time, the Studio hosted a designer in residence as part of a partnership with the Atelier Luma entitled *Algae Platform* (November 2019 – February 2020) to coincide with the *Eco-Visionaries* exhibition. It included experiments and object prototypes that used algae as a biomaterial, while the designer in residence, Sam Iliffe, developed and displayed his research over the course of the show, mapping London’s algae and investigating potential new applications.

The RA held its third Architecture Awards with Derwent London as headline sponsor and the British Council as international partner, alongside the founding partner, The Dorfman Foundation. The Royal Academy Architecture Prize, which celebrates the culture of architecture, was awarded to artist Cristina Iglesias. Four finalists were also selected for the Royal Academy Dorfman Award, which recognises practices projecting the possible futures of architecture. The four finalists were AAU Anastas (Palestine), AOR Architects (Finland), BCKJ Architects (China), and WHBC Architects (Malaysia). The Architecture Awards Week, a series of events and celebrations including the selection of the winner of the RA Dorfman Award and a free closing party, was postponed to December 2020 due to Covid-19. Therefore, the Architecture Studio display showing the work of the 2019 Royal Academy Dorfman Award finalists entitled *Architectural Futures* was extended.

Prior to closure, the RA hosted 19 architecture focused onsite events with over 60 speakers from a range of disciplines, including panel discussions, lectures, film screenings and an academic symposium. These Architecture events were supported by Rocco Forte Hotels and were attended by approximately 3,000 visitors, with a selection available as podcasts on the RA website. Events included a lecture on the influence of Bauhaus on contemporary designers, focusing on the works of female designers, and a series of talks on ecology and the environment to accompany *Eco-Visionaries*. The RA was grateful to partner with Warwick University, MUBI and Atelier Luma on several public events. During the Coronavirus lockdown, the RA turned its focus to creating and sharing content through its dedicated architecture channels. Highlights included the Instagram series “*Lockdown Looking*”, “*Walking Westminster*” and “*Architects’ Studios*” as well as Instagram live conversations with Citizen magazine. The RA also partnered with the London Festival of Architecture to host the Festival’s signature event, a symposium called “*Architecture and Power: Conversations around people and place*”, which was held online to an audience of over 200 people.

Collections and Learning

The RA continued to share its Collection with audiences through innovative displays across the campus and in its dedicated Collection Gallery. Highlights included *The Ancestors* (September 2019 – February 2020), an engaging display of busts from the RA Collection curated by Professor Cathie Pilkington RA and Professor Alison Wilding RA. Set in the Ronald and Rita McAulay Gallery, visitors were encouraged to respond to the work using drawing materials provided, which resulted in nearly 6,000 visitor-made-artworks. A successful display of Laura Knight RA’s work was shown in the Tennant Gallery, attracting 57,395 visitors throughout September 2019 – February 2020. This was followed by the work of Anthony Whishaw RA, which reflected on the influence of Spain on his work.

Drawings by Minnie Jane Hardman, a female RA Schools student from the 1880s, were displayed in the Julia and Hans Rausing Hall, before a display of copy-print photographs of the RA Schools in the 1950s was installed. John Flaxman RA’s illustrations to Homer’s Iliad and Odyssey were displayed in the RA Collection Gallery in October 2019, followed by a display of Grayson Perry RA’s Diploma work, *Map of Days*. Phyllida Barlow RA’s Diploma work *untitled: female*; 2018 was installed in the Ronald and Rita McAulay Gallery at the beginning of August 2020. Key acquisitions to the RA Collection in 2019/20 included Diploma works by John Akomfrah RA, Tony Cragg RA and Gillian Wearing RA.

The RA’s Library and Archive continued to provide internal and external access to the RA’s historic files while the Academy remained open. In addition, it oversaw a cataloguing of key works from the Library’s substantial Illustrated Book Collection. In 2019/20, a total of 374 books dating from the mid-19th-century to the present were catalogued

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and published online. Other highlights saw the RA Archivist deliver a paper to the conference Art for the Nation: John Ruskin, Art Education and Social Change, the focus of which were the *Academy Notes (1855-1859)*. The Archivist also oversaw the completion of phase one of a project to index the RA Schools' registers. The RA's Picture Library saw steady requests for images by researchers, publishers and other arts organisations, and offered many of its services for free throughout an exceptional period. The Library catalogue migrated to the new JISC online Library Hub, raising international awareness of its richness and depth.

Families, Access and Schools programming continued to evolve and engage diverse audiences in 2019/20. Highlights included the popular *attRAct* programme, the RA's free programme for 16-18-year olds studying art and design. Students engaged in weekly workshops and challenges devised by the Learning team and RA Schools students, with student work going on to be shortlisted for a national award, selected from over 400 entries. The second year of the *Young Artists' Summer Show*, made possible by Robin Hambro, saw a considerable rise in submissions from 6,300 in 2019 to 17,700 in 2020. 350 artworks were chosen for online display, with 209 also featuring in a postponed physical exhibition in the Clore Learning Centre in November 2020.

Following the successful installation of family-orientated interpretation in the RA's Collection displays in 2019, family labels were included in two main exhibitions in 2019/20: *Eco-Visionaries: confronting a planet in a state of emergency* and *Picasso and Paper*. The interpretation was very well received by both visitors and the wider sector. During the Coronavirus lockdown, the RA expanded its digital classroom resources with a dedicated webpage and continued to produce its "Family How-To" guides for online audiences. The scheduled Teachers and SEND conferences were unfortunately cancelled but are due to resume in 2021/22. Prior to this, the Head of Families, Access and Schools was the keynote speaker at a global SEND conference in Taiwan.

The RA's public programme of lectures and events was severely impacted by the Coronavirus pandemic, before which it was on track for a very successful year. Prior to March 2020, programming for *Antony Gormley, Lucian Freud: The Self-Portraits* and *Picasso and Paper* sold out regularly, with highlights including Antony Gormley RA in conversation with Iwona Blazwick, a panel discussion on the future of self-portraiture, and a series of talks entitled "Picasso's Turning Points", each offering a different perspective on the exhibition. For the first time, the RA's *Festival of Ideas* was brought in-house and was due to feature a range of exciting speakers including artist Rachel Whiteread, theatre director Sir Nicholas Hytner, and children's illustrator Axel Scheffler. Unfortunately, the Festival was cancelled due to the pandemic.

RA Lates were brilliantly creative and experimental, achieving sponsorship for the first time in 2019/20. Prior to March 2020, these ranged from "Deep Earth", which featured earthly interventions, performances and soundscapes, to a "Barcelona Modernisme" night of cabaret and circus acts. In December 2019, *Time Out Magazine* named the RA Lates as the "event of the decade": "It is impossible to choose 'the best' but I'll never forget seeing the Royal Academy transform into a big pagan playground for the 'Electric Forest' in 2017." The RA's programme of Courses and Classes also progressed successfully in the first part of 2019/20 with a varied programme linked to the RA's Collection and exhibitions. During the Coronavirus lockdown, the RA was able to deliver smaller online classes for corporate clients, which had great success and strong attendance.

The first cohort of students on the RA's Executive Master's in Cultural Leadership completed the taught element of their programme, including a highly successful trip to Venice and Turin, a visit to Cambridge for the "Technology and Innovation" module, and a trip to Brussels for the "Art and Law" module in January 2020. Two students in the founding cohort have since progressed to leadership roles in the artworld, while several are converting their qualification to an MBA. The second cohort of 14 students joined the programme in February 2020 and were able to complete their first two modules in person. From March 2020, some seminars, tutorials and classes were successfully delivered online, while the Course Lead and Director of Collections and Learning engaged in a wide range of online public talks, teaching and panel discussions.

RA Schools

It was an extraordinary academic year for the RA Schools, which celebrated its milestone 250th anniversary in 2019. The Schools' anniversary was acknowledged with a special edition of the RA Magazine focused on art education, exhibitions both on and offsite and the publication of a digital print portfolio sponsored by Epson in November 2019. In October 2019, a new cohort was welcomed into Year 1. This included the intake of fifteen artists relocated from Liverpool, Birmingham, Scotland, Switzerland, Slovenia and Australia. In December 2019, the process for electing a new Keeper commenced following Rebecca Salter RA's election as President on 10 December 2019. Professor Cathie Pilkington RA, the former Professor of Sculpture, was elected Keeper in May 2020, which was formally approved at General Assembly in July 2020. At the time, Pilkington spoke of the "transformative effect that studying at the Royal Academy has on a student's life and work" and her commitment to promoting and protecting it for future generations of practising artists.

In the intervening months, the Coronavirus pandemic brought with it the closure of the RA Schools, which were forced to vacate from 19 March 2020 – 4 September 2020. This had several consequences, including the deferral of eleven

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students who had accepted the offer of a place for the 2020/21 Academic year to October 2021. It also necessitated the difficult decision to postpone the *RA Schools Show 2020* to June 2021 and offer a “catch-up” year for all students. This decision was made with the safety and wellbeing of staff and students in mind, together with a commitment to a physical show for all graduating students.

Prior to the Schools' closure in March 2020, lectures were delivered by Rebecca Heald and Mara Polgovsky, Professor of Anatomy Roger Kneebone, and the writer Julia Armfield, among others. Visiting tutors included Mali Morris RA (Professor of Painting), Evan Ifekoya, Vanessa Jackson RA, Alison Wilding RA (Eranda Professor of Drawing), Ali Aisa and Shan Saeed. Artists talks included Antony Gormley RA, who gave a special tour of his exhibition in September 2019, Merlin James and Appau Boakye-Yiadom. The annual study visit took students to the Venice Biennale in November 2019, where they were grateful to stay at the Cini Foundation once more. The closure of the RA Schools meant that students no longer had access to their work in progress, their studios, or the workshops, and its summer term was reinvented to accommodate online tutorials, writing workshops, lectures and talks. The transition to remote learning provided students with the opportunity to hear from a wider range of contributors from overseas, including Claire Bishop (USA), Marie de Brugerolle (France) and Basim Magdy (Egypt) as well as Gary Hume RA, who hosted an online studio visit.

The annual *Premiums* exhibition, which showcases the work of second year students, took place in the Weston Studio from 13 February 2020 – 11 March 2020. Other exhibitions included *FOSSIL* (September–November 2019), a 16mm film installation by Graham Ellard and Stephen Johnstone and *RA Schools 250 – Digital Print Portfolio* (November 2019), an exhibition of the thirty limited edition digital prints by artists commissioned by the RA Schools to mark its 250th anniversary. The exhibition *Move Away from the Aubergine* (December 2019 – February 2020) was an installation by Esmerelda Valencia Lindström. The piece considered “place as a series of routes” and reflected on subjective, human and nonhuman experiences of architecture. *Red Mansion Anniversary Exhibition* (March 2020) was installed the day before the Royal Academy's closure. It hung unseen until September 2020 when it was deinstalled and replaced by an extended version of the show online.

The RA Schools continued to work with external partners on exciting collaborations and residencies in 2019/20. Highlights included the *Big Draw Festival*, in which RA Schools tutor Mark Hampson led a series of iPad-based drawing classes in partnership with Apple, and a partnership with K11 Art Foundation, which saw Chinese artist Jian-Jun Zhang take up residence in the RA Schools and RA Schools graduate Martin Gross travel to China. Curator and Director of the RA Schools Eliza Bonham Carter also spent three weeks in China on a residency in Lijiang, Yunnan Province, funded by the Red Mansion Foundation. The Richard Ford Award, which enables a British figurative painter to visit Spain for the purpose of studying paintings, was awarded to RA Schools student Emmanuel Awuni.

The RA Schools Annual Dinner and Auction took place on 4 March 2020 and generated a net contribution £0.1m. Auction proceeds are usually contributed to the Royal Academy Trust endowment, but this year were reallocated to the RA Student Hardship Fund, which was introduced to support students during the pandemic. The auction centred around the sale of a print by Rose Wylie RA, alongside works from 2019 RA Schools graduates and contributions from Royal Academicians. Wylie's edition generated £34k, the second highest income from a single sale of an artist's work in the auction's history.

There were several staff changes for the RA Schools in 2019/20. In December 2019, Chantal Joffe RA completed her term as Professor of Painting and was succeeded by Mali Morris RA. In addition, Mike Nelson RA was ratified as the new Professor of Sculpture following Professor Cathie Pilkington RA's election as Keeper. Madalaina Zaharia replaced Hen Coleman as Digital Print Tutor and James Irwin replaced Yasu Ichige as Digital Media Tutor. Macon Reed joined the RA Schools as Starr Fellow, a year-long fellowship for an artist from the USA made possible by the Starr Foundation.

The RA Schools is grateful to the following supporters for their generosity in 2019/20: The Dunard Fund, for a £5m capital gift pledge to name the historic Life Drawing Room and a £625k endowment gift to fund a scholarship to the RA Schools in perpetuity, Ronald and Rita McAulay, for their generous gift to the RA endowment, which will support two student places in perpetuity, Batia and Idan Ofer Family Foundation and Tileyard London, who each confirmed sponsorship of the RA Schools per year for the next three years, and Stewarts Law Firm, who are providing sponsorship of £165k over the next three years, providing vital support to the RA Schools Show, as well as a £25k scholarship.

The RA Schools are currently assessing the cost and time commitment necessary to apply for Approved Status with the Office for Students, a route for student visas, in preparation for Brexit.

Development

The year started strongly with BNP Paribas celebrating their 19th year of supporting the RA with their sponsorship of *Antony Gormley* in 2019. Alongside this, they launched their “*AccessArt25*” programme which saw over 3,000 young people attend the exhibition and other learning activities over three specially curated evenings.

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During *Antony Gormley*, RA Patrons enjoyed over thirty different events including an experimental Keeper's Dinner in support of the RA Schools and the popular "*Young Patrons After-Party*" which led to the sign-up of four new Young Patrons. In addition to growing the Young Patrons scheme to sixty members during the autumn, the RA recruited over thirty Patrons – eight of whom were at either Gold, Platinum or International level. Patrons had a busy spring programme, highlights of which included a Studio Visit with Frank Bowling and a visit to the collection at Windsor Castle for an event named "*Charles I revisited*".

The Coronavirus pandemic put strain on the RA's ability to programme events for Patrons and donors over the summer months; however, it continued to engage through an extensive series of virtual events. The RA was one of the first institutions to release a virtual alternative to its summer Patrons programme which included a live painting performance by RA Schools Alumni Thomas Langley; a behind the scenes tour of the RA's Main Galleries with curator, Ann Dumas; a performance by RA Schools student Agnieszka Szczotka; a studio visit with Eileen Cooper RA; and our first virtual RA Patrons family morning led by second year student, James Lomax. Key events before the Coronavirus pandemic were supported by some of the RA's most generous supporters. In November 2019, the RA's Benjamin West Lecture Theatre played host to the second *Rothschild Foundation Lecture* which was delivered by Marina Abramović Hon RA.

Following the RA's closure, it swiftly launched a Coronavirus Emergency Support Fund to help mitigate financial losses. An extraordinary £4.2m was secured towards the Fund as of the end of August 2020, with £1.9m received in the period. The first gift was received from Dunard Fund in March 2020 and following this the RA received generous contributions and pledges from Simon and Virginia Robertson; Aryeh and Elana Bourkoff, LionTree; Jake and Hélène Marie Shafra; The Batia and Idan Ofer Family Foundation; and The Mead Family Foundation, amongst others.

During this challenging period, the RA has benefitted enormously from the foresight of generous supporters who have left legacy gifts. Almost half of the funds which make up the Coronavirus Emergency Support Fund have been from those who have left gifts in their wills. Several donors also agreed for their gifts to be re-allocated to the Fund from the cancelled *Angelica Kauffman* exhibition. The RA heard in July 2020 that its application to the National Lottery Heritage Fund's Heritage Emergency Fund had received the maximum grant of £250k.

In August 2020, the RA launched an emergency fundraising appeal to "*keep art alive*" led by Grayson Perry RA with generous support from the Dorfman Foundation. The target is to raise £500k, with the first 500 donations of £1k towards the appeal acknowledged through a plate designed by Grayson Perry RA. The appeal had a fantastic response and by the end of August 2020 raised nearly £200k. This appeal formed the backbone of wider fundraising efforts for the Coronavirus Emergency Support Fund and all donors to this are acknowledged on a Supporters Wall in the Wohl Entrance Hall in Burlington Gardens. In a further project, almost 100 Royal Academicians contributed works to "*Varnishing Day: A Moment in Time*", a portfolio of prints marking Varnishing Day and available to Friends to purchase in thanks for their continued support.

The RA has committed to completing the long overdue refurbishment of the RA Schools, with thanks to the support of generous donors. A total of approaching £17m has now been raised towards the RA Schools Restoration and Renewal project and work is due to start on site in July 2022. Alongside this capital campaign, there has been a focus on raising funds for the RA's future sustainability and a total of over £6m has now been raised by the Royal Academy and Royal Academy Trust towards the wider endowment over the past two years.

In 2019/20, the RA welcomed the following new exhibition sponsors to the RA: the Steel Charitable Trust, Offer Waterman, Octopus Energy, Viking, the Tavolozza Foundation, the City of Malaga, La Fundación Bancaria Unicaja, Unicaja Banco, Diputación de Málaga Costa del Sol, Estrella Damm, and Argile. Despite the Coronavirus pandemic, Insight Investment continued to support the *Summer Exhibition 2020*. Robin Hambro continued to make the *Young Artists' Summer Show* possible in its second year with her generous support, and all other Learning funders generously continued their funding of their programmes. New Corporate Members in 2019/20 were Bridgepoint, Convex UK Services, Freshfields Bruckhaus Deringer LLP and Ocean Outdoor.

Corporate Services

The Corporate Services pillar combines the management of Estates, IT, HR, Legal and Governance.

The RA saw several leadership and staff changes over the reporting year. On 10 December 2019, Rebecca Salter RA was elected the 27th President of the Royal Academy. She succeeded Christopher Le Brun PPRA who stepped down in December 2019 after serving eight years in the role. Salter, the first female President in the RA's history, said she was "honoured" to have been elected to represent "a unique place shaped by artists and architects". She also spoke of her ambition to help the RA evolve while keeping art, architecture and debate at the heart of what it does.

December 2019 also marked the departure of the RA's Artistic Director, Tim Marlow, who left the RA to take up the post of Director and Chief Executive of the Design Museum. Shortly after in January 2020, Chief Operating Officer,

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Tzo Zen Ang, departed to assume the position of Managing Director at the Courtauld Institute of Art. The summer of 2020 also marked the departures of Chief Marketing Officer, Will Hattam, and Nick Sharp, Director of Digital, Data and Insight, who relocated to the USA to take up the post of Chief Digital Officer at the National Gallery of Art in Washington DC.

Changes to the Membership of Royal Academicians in 2019/20 included the election of painter Rana Begum in December 2019. In addition, Professor Sir Timothy Berners-Lee OM, Issey Miyake and Zadie Smith were elected Honorary Fellows. Scott Mead was appointed as a Corresponding Member and Professor Adrian Forty was appointed as Honorary Curator of Architecture. The RA was saddened to learn of the deaths over the past year of four Royal Academicians, the architects Edward Cullinan and Paul Koralek, the painter Jeffrey Camp and the sculptor John Wragg.

The onset of the Coronavirus pandemic and subsequent closure of the RA in March 2020 had a significant impact on its staff. In order to mitigate the financial impact of the forced closure, the RA placed more than 60% of its employees on furlough using the government's Coronavirus Job Retention Scheme. Furthermore, employees also accepted a 20% reduction in working time and salary for three months from 1 June 2020 – 31 August 2020. Since March 2020, the RA has followed government guidance in asking staff to work from home where roles allow. When the RA was able to reopen its doors to the public in July 2020, a thorough risk assessment was completed to ensure operations were Coronavirus secure and compliant. All onsite staff were required to complete reinduction training and were supplied with the necessary Personal Protective Equipment to perform their duties. The safety of staff and visitors was the priority during the RA's reopening and staff were invited to feedback promptly on any risks they identified.

A study of the Gender Pay Gap at the RA reported as at 5 April 2019 that, excluding casual workers, 61% of the RA's workforce were female, and 65% of its senior managers were women. The RA was pleased to report a drop in its mean hourly pay gap from 10% in 2018 to 5% in 2019, and a median hourly pay gap that remained the same at -1% (the median figure demonstrating a pay gap in favour of women). The RA believes that its mean average hourly pay gap is decreasing year on year as a result of its commitment to offer family-friendly working practices and policies; these include a supportive culture for new parents returning to the workplace; options for flexible and agile working, and a generous family leave package.

Currently, females make up 29% of the Membership of Royal Academicians. However, in the last ten years 47% of Royal Academicians elected were female. Council is responsible for the direction and management of every major aspect of the Royal Academy and is made up of Royal Academicians, Officers of the RA and external members. It is currently 31% female.

Since gaining accreditation from the Living Wage Foundation in 2019, the RA has been recognised officially as a Living Wage Employer. The RA is committed to implementing the annual London Living Wage increase for eligible staff and to ensuring that all third-party organisations operating on the RA campus pay their staff working on site the London Living Wage as a minimum.

In August 2019, a new Volunteering Advisor joined the RA's HR team, replacing two volunteer management roles previously supported by the Heritage Lottery Fund. The role was created in order to oversee the RA's 200-strong volunteer population, as well as all apprenticeships, work experience placements and traineeships. RA volunteers have continued their outstanding contribution to the activities of the RA although, as of March 2020, their presence on site at the RA inevitably diminished while the organisation followed Health and Safety best practice and observed social distancing guidelines.

Beyond the RA's boundary-line, a long-standing project to improve the East Mayfair area commenced. The works, led by Westminster City Council and several partners, will increase accessibility to the 6 Burlington Gardens entrance and relocate existing parking.

Following a review of the RA's impact upon the environment in the previous financial year, the RA has taken several steps to minimise energy consumption and carbon emissions. Most notably the organisation is now powered by 100% renewable energy sources. In addition, the RA has also sought to reduce the use of single-use plastic, for example by introducing compostable take-away cups and cutlery in its cafés and restaurants and reviewing its use throughout the organisation. During the year, the RA also introduced a discount on hot drinks to visitors who bring their own reusable cups. A Sustainability Working Group was put in place in 2019 to identify and deliver improvements across the campus and RA operations more broadly; however, the progress of this group has been impacted by the pandemic and subsequent closure of the RA. The RA is committed to reducing the environmental impact of its activities and the organisation intends to renew its efforts in this area in 2021. In line with Streamlined Energy and Carbon Reporting (SECR) requirements, the RA reported its total emissions for the year as 8,254.87 tCO₂e, with an intensity ratio of 0.03 tCO₂e /sq. foot. The largest proportion of the RA's GHG emissions was accounted for by the electricity consumed in internal areas within its commercial and academic buildings, which represents 91.9% of total emissions, equating to 7,586.20 tCO₂e.

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In order to mitigate the impact of closure due to the Covid-19 and the associated cashflow pressures, an exercise was undertaken in April 2020 to proactively reduce capital expenditure. To this end, the capital expenditure programme was reprofiled, allowing a reduction in spend of approximately £1m across the next two financial years.

Finance

As reported last year, the expansion of the RA's campus which was completed in 2018 brought with it both opportunities and challenges from a financial perspective. There were opportunities to grow the already impressive financial support from fundraising initiatives, commercial income and the RA's loyal Friends, Patrons and corporate supporters, as well as to increase income from an extended exhibition, events and learning programme. There were also challenges, from the increased costs of operating a larger site with much added public space and offering an enhanced programme, including a far greater free public offer than ever before.

In parallel with the wider strategic review in the period to February 2020, a financial sustainability review was undertaken informed by the actual financial performance in 2018/19, the first full financial year in which the RA operated its expanded campus. This review highlighted that significant changes to the organisation were needed, including the delivery of year on year cost savings, in order to ensure a robust and financially sustainable operating model. Owing to the Covid-19 lockdown and subsequent closure of the RA, the financial situation of the RA deteriorated and is forecast to deteriorate even further due to significant restrictions on attendance in the short to medium term. Based on financial forecasts, the RA is faced with a significant reduction in income from exhibition admission and other onsite sources of income – in addition to a much reduced annual donation from the Friends of the Royal Academy – for at least the next two to three years, with an expectation that it may take even longer to return to pre-Covid-19 levels of income from the RA's ongoing activities.

As explained in more detail in the Financial Review section below, the short term impact of Covid-19 on the RA's 2019/20 results has been successfully mitigated through emergency fundraising, fully utilising government initiatives, including the Coronavirus Job Retention Scheme and rates relief, and undertaking stringent cost cutting measures, including a 20% pay cut for all staff from June 2020 to August 2020 and deferring all non-critical capital expenditure projects.

However, in order to mitigate the future impact and to ensure the long-term financial sustainability of the RA, it has embarked on a significant restructuring programme to establish a "core RA" organisational structure and to deliver £8m annual cost savings, representing approximately 30% of the addressable cost base. The Royal Academy is currently in a Collective Consultation process in respect of a substantial redundancy programme, which is planned to be completed later in 2020.

IMPACT AND PUBLIC BENEFIT

As a "Home for art, artists and architects" the Royal Academy has as its founding mission to "work together to promote the arts of design; and, educate the public in creation, enjoyment and understanding of the arts through exhibition, education and debate." This mission holds true until today and going forward the RA is committed to continuing to deliver on this mission.

As an independent institution, the RA has a two-pronged goal: to deliver on its mission, whilst at the same time securing the financial sustainability required to ensure its future. In 2020, the RA faced unprecedented challenges in terms of the operational and financial impact of the Covid-19 pandemic and the organisation was forced to reassess its priorities and reinforce its focus on the core principles and activities which have guided the RA since its inception.

The Core RA

The core constituent parts of the RA are the Membership of the Royal Academicians, the Schools, the exhibitions programme (including the *Summer Exhibition*), the Collection and learning. The respective strength and unique quality of each of these aspects, and their combination under one roof give the RA a unique character that is not shared by any other institution in the world.

The Membership

The RA was founded by a group of well-known artists. To this day the Academy is led by its Membership, a group of nationally and internationally renowned artists and architects, elected by their peers and appointed for life. They are involved in leading the RA through its topmost governing body, the Council, as well as the General Assembly and numerous committees. They are the lifeblood of the Academy.

The Schools

The original impetus for setting up the Royal Academy of Arts was to professionalise the training of young artists in an art school much like had been happening elsewhere in Europe. Today it is a three-year post-graduate programme

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for 15 students per year. The RA Schools, led by the Keeper and the Curator and Director of the Schools, is considered as one of the best among the leading art schools in the UK and attract a wide range of European students.

One area of particular interest is the future collaboration between the Schools and the wider RA. Until recently the Schools led a somewhat separate existence with relatively little contact or collaboration with other RA departments. This was partly due to the previously remote location of the Schools in the back of the building. With the recent Masterplan project and the connection between Burlington House and 6 Burlington Gardens, the Schools have been relocated to the centre of the building and now share space with the public. It is desirable and timely to think about a greater integration of the Schools within the RA.

By the summer of 2022, the Schools also expect to embark on their capital redevelopment. As a consequence of the pandemic and reduced levels of development income, the cost of the project has been capped at £17m, which is almost the amount that has been raised to date.

The exhibitions programme

When the RA was founded its members established annual exhibitions with a two-fold aim: for the Royal Academicians to display and sell their works and to generate income to finance the Schools. This tradition continues with the annual *Summer Exhibition* that has been held without interruption since the RA's inception.

Besides the annual *Summer Exhibition*, the RA now runs a wide-ranging, ambitious, and much respected programme of international loan exhibitions on art and architecture. Of these, three are held in the Main Galleries, one of the grandest temporary exhibition spaces in the UK, if not in the world. The other gallery spaces are the Jillian and Arthur M. Sackler Wing of Galleries and the Gabrielle Jungels-Winkler Galleries.

The exhibitions programme is the RA's lifeline. As a result of the Covid-19 pandemic and need for budget savings most museums worldwide are reducing their exhibition programmes for the coming years. Given that the RA relies heavily on its exhibitions programme to drive its income streams, it will continue to invest in an ambitious, diverse, interesting, popular and, at times, challenging exhibitions programme that will appeal to its Friends, as well as its loyal public audiences and over time build new audiences. Some efficiencies may possibly be found in drawing from the RA Collection but on the whole, exhibitions will require continued commitment and investment.

In relation to the RA Schools, the combination of a high-quality art school and an internationally renowned exhibition-organising arts institution under one roof is unique in the world. It is critical to develop understanding of what makes the training of young artists in a prominent arts institution different and special (in contrast to the other art schools in London and in the country) and, conversely, how the RA might benefit as an exhibition-organising institution from having practising artists in its building.

The Collection

The RA's relatively little-known Collection was started as a teaching collection for the Schools. From the beginning the Academy also required every Academician to donate a so-called "diploma work" to the Collection. Over time the Collection has grown into a visual record of the RA's membership and history. Valuable works in the Collection range from Michelangelo's *Taddei Tondo*, John Constable's *Leaping Horse* and George Stubbs's anatomical drawings and studies of the horse, to diploma works by living artists such as David Hockney and Tracey Emin. The Collection also contains copies after Leonardo's *Last Supper* and Raphael's cartoons for the Sistine Chapel; there is a considerable collection of plaster casts after famous works of art and a sizeable collection of works on paper. Our Collection also includes a historic Archive of artists' papers and other important records, and a Library collection of rare books. The Collection has been awarded "Designated Collection" status by Arts Council England as a "pre-eminent collection of national or international importance" held by a non-national institution.

Learning

In the Academy's founding mission, the Royal Academicians stated that the RA was to "educate the public in creation, enjoyment and understanding of the arts" and learning, by definition, is at the core of any academy. In the present-day learning and education are part of the core mission of every arts organisation and the RA takes this task very seriously. With the recent expansion of the facilities, especially the addition of the Clore Learning Centre and the Benjamin West Lecture Theatre, the RA has considerably increased its activities in this area.

Impact measures

Like many charities, the RA has a two-pronged goal: to deliver on its mission, whilst at the same time securing financial sustainability to ensure its continued relevance. The RA's Medium Term Plan explicitly articulates the goal to achieve an average net income of at least £5.0m p.a. from ongoing activities (before interest, depreciation and amortisation) to fund the ongoing maintenance of our 2.5 acre campus and the required investment in technology; periodic plant upgrades and gallery refurbishment programmes; to repay its borrowings and to service its financing costs; and to fund contributions towards its financial obligations in respect of our legacy defined benefit pension scheme, albeit the scheme is now in surplus as at the last triennial actuarial valuation as at 31 August 2019 and the

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annual funding update as at 31 August 2020. This financial sustainability target has been severely challenged by the impact of Covid-19, which is considered further in the Strategic Report below.

Alongside the financial goal to achieve sustainability the RA has identified a set of mission related goals.

The RA tracks and monitors a variety of impact measures (as distinguished from Key Performance Indicators, which are considered separately in the Strategic Report below). These measures include those pertaining to the RA's activities across exhibitions, RA Schools, Library and Collections, and education; where possible, we aim to measure the delivery of our mission and impact goals numerically, as well as qualitatively and anecdotally.

The current measures will evolve as the organisation better understands which measures are most reliable and informative, and as it introduces new means of tracking and assessing the impact it has, but will now also have to be further considered in light of what is possible for the organisation given the financial constraints due to the effect of Covid-19.

The exhibition programme provides a mix of subject matter and content for a range of public tastes and is complemented by a programme of activities such as lectures and workshops aimed at providing opportunities for the public to engage with the subject matter and the institution. The RA's exhibition and public programme continue to measure success and impact both in terms of the overall attendance or reach activities achieve as well as the degree to which the RA is able to welcome new audiences who might otherwise face barriers to attending. The Royal Academy's pricing policy includes opportunities for those on lower incomes to visit the Royal Academy and participate in its programmes by taking advantage of reduced ticket prices and free activities.

The closure period from March 2020 through to July 2020 presented a significant challenge to the RA in delivering its public benefit. However, through this period the RA increased its focus on digital programming to keep audiences engaged and support its mission despite closure. The RA was then among the first London institutions to re-open its doors to the public in early July 2020 and saw it as a core responsibility of its role as a public institution to rebuild confidence in public life once again.

In implementing the stated objectives through the strategies described, the trustees confirm that they comply with their duty to have regard to the Charity Commission guidance on public benefit.

STRATEGIC REPORT

Business review

The "Current year objectives" section above sets the RA's objectives for the current year, but also its vision for 2021-25. A review of the Royal Academy's activities, achievements and impact has been included in the "Activities, achievements and impact" section, also above. The "Future plans" section of this report, which follows, sets out in further detail our strategy for the next five years.

Sustainability review

As noted in the review of activities above, in parallel with the wider strategic review in the period to February 2020, a financial sustainability review was undertaken informed by the actual financial performance in 2018/19, the first full financial year in which the RA operated its expanded campus. This review highlighted that significant changes to the organisation were needed, including the delivery of year on year cost savings, in order to ensure a robust and financially sustainable operating model. This review also identified a series of key financial metrics providing a benchmark towards achieving financial sustainability. With the outbreak of the Covid-19 global pandemic, these metrics cannot reasonably be measured or delivered against in the short term but will provide a useful framework as the RA establishes its post Covid-19 "new normal". These metrics were however used as the basis to determine the level of savings required to address the financial impact of Covid-19 over both the short and medium term and helped inform the decision to target annual cost savings of £8.0m for the restructuring programme being delivered in the fourth quarter of 2020. Several of these key financial metrics are included in the Key Performance Indicators below.

Key performance indicators

The following key performance indicators ("KPIs") have been identified as key measures of our progress against our strategic objectives. Targets for overall audience figures and KPIs with direct financial impact (e.g., Friends membership numbers) are embedded into our Medium Term Plan, which is updated annually and reflect the financial sustainability metrics referenced above and in 6. "Finances / sustainability" below. Targets for more qualitative measures (e.g., visitor experience, audience diversity) continue to be refined on an ongoing basis.

1. Exhibitions

- Exhibition and campus visitors; pre-Covid-19 target of c.1.0m visitors to the paid exhibition programme
- Critical reception of exhibitions

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2. Education, Learning and Collections

- Impact and reach of access and learning programme (online and onsite)
- Audience for Collections (physical displays, website visits, appointments)
- RA Schools applications (per place and from outside London/UK/Europe)

3. Audiences & Experience

- Secondary spend per visitor (retail and catering spend)
- Visitor experience (rating of exhibition and of overall visit)
- Digital visitors (website sessions, Facebook friends, Twitter followers)

4. People

- Academician engagement
- Staff engagement (engagement survey, appraisal completion, turnover)

5. Estates

- Completion of Burlington Project fundraising (for each phase)
- Completion of Burlington Project building works (on budget to schedule; for each phase)

6. Finances / sustainability

- Target to achieve sustainable net income from ongoing activities (before interest, depreciation and amortisation) of at least £5.0m per annum
- In supporting this £5.0m target, overall net contribution metrics for exhibitions (including sponsorship); membership schemes (Patrons, corporate, Academicians' Room) (including lets and events); annual donation from the Friends of the Royal Academy; and the net contribution from retail and publishing.
- Staff costs as a percentage of income and as percentage of total staff and operating costs.

FINANCIAL REVIEW

Financial result for the year

The results for the current year show net income of £2,014,922 (2019: net expenditure £2,083,836) for core activities, being those ongoing activities directly associated with delivering the charitable objectives, and net income of £5,556,818 (2019: £5,048,551) for the Burlington Project, being the refurbishment and redevelopment of the Royal Academy's buildings and estate. Net income of £2,014,922 (2019: net expenditure £2,083,836) for core activities includes £nil (2019: £3,814) of expenditure on temporary accommodation, with the relocation of staff during construction works for the Burlington Project; £500,734 (2019: £618,889) of interest payable; £10,783 (2019: £20,627) of interest receivable; and £31,305 (2019: £nil) of investment gains. Excluding these temporary costs, core activities generated net income of £2,014,922 (2019: net expenditure £2,080,022); and excluding net interest payable and investment gains, net income of £2,473,568 (2019: net expenditure £1,481,760).

Total net movement in funds, includes the recognition of the actuarial gain on the pension scheme totalling £631,000 (2019: loss of £843,000), and a tax credit of £363,493 (2019: £434,551) in respect of Museum and Galleries Tax Relief, resulting in a surplus of £8,566,233 (2019: £2,556,266).

The ongoing activities surplus, excluding temporary accommodation costs, net interest payable and investment gains was £2,473,568 (2019: shortfall £1,481,760). These results are significantly up on those of the previous year, with an increased surplus of £4.0m. However, excluding income from donations to the Coronavirus Emergency Support Fund of £1,533,708, grant income of £2,300,268 from the Government's Coronavirus Job Retention Scheme, and a donation of £2,159,884 for the purchase of a property, the surplus of £2,473,568 would have been a shortfall of £3,520,292.

During the first six months of the year, prior to closing to the public in March 2020, the Royal Academy enjoyed a period of considerable commercial success with the *Antony Gormley*; *Lucian Freud: The Self-portraits*; and *Picasso and Paper* exhibitions. The Royal Academy reopened to the public in July 2020 with the continuation of the *Picasso and Paper* exhibition but to a much reduced audience, with around 25% capacity of "normal attendance" due to the social distancing safety measures required to be in place due to Covid-19. The Royal Academy's Summer Exhibition, which makes a significant contribution to the Royal Academy finances each year, had to be postponed until October 2020. In March 2020, to mitigate the impact of Covid-19, the Royal Academy launched its Coronavirus Emergency Support Fund, receiving £1.9m in the year. The Royal Academy also undertook stringent cost cutting measures, including a 20% pay cut for all staff from June 2020 to August 2020; and fully utilised government initiatives, including the Coronavirus Job Retention Scheme ("CJRS") for which grant income of £2.3m was recognised in the period; the Scheme being used as intended to retain staff during this period.

Total income from ongoing activities remained in line with the previous year at £39.8m (2019: £39.8m), however costs decreased by 10.8% over the same period to £37.3m (2019: £41.3m) resulting in the £4.0m net increase.

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The Friends of the Royal Academy, a separate registered charity, donated £11.5m (2019: £11.6m) to the Royal Academy, only marginally lower than the previous year, which represented 29% (2019:29%) of the Royal Academy's total income from ongoing activities. Exhibitions income decreased by 28.9% to £4.5m (2019: £6.4m), with the success of the programme in the first half of the year cushioning the impact of the losing most of the programme in the second half of the year. There was a 13.7% decrease in income from our trading subsidiaries to £9.3m (2019: £10.8m). Income from commercial activities of £7.0m was only 2.6% down (2019: £7.2m), but income from entertaining services to the corporate sector at £2.1m was 22.7% down (2019: £2.7m) and income from ticketed fundraising events at £0.2m were over 76% down (2019: £0.9m). Other income including sponsorship at £3.0m was 3.5% up (2019: £2.9m); but other donations at £7.5m were 34.7% up (2019: £5.8m), principally due to £1.9m emergency fundraising and £2.2m received for the purchase of a property. Grant income at £2.4m was 141.5% up (2019: £1.0m), with £2.3m from the CJRS.

The decrease in expenditure included a 0.4% increase in staff costs to £16.1m (2019: £16.0m), with average full-time equivalent permanent employees increasing marginally to 345 (2019: 344), with the impact of the annual pay increase offset by the savings from the 20% pay cut for all staff from June 2020 to August 2020; other expenditure (excluding depreciation and amortisation) has decreased by 24.4% to £17.1m (2019: £21.2m), reflecting cost saving measures in the second half of the year; with depreciation and amortisation charges up 2.9% at £4.1m (2019: £4.0m) – the comparatively high charge reflecting the Academy's recent investment in both the plant upgrade and gallery refurbishment programme and systems technology, as well as the assets brought into service primarily in 2018 with completion of Phase I of the Burlington Project.

We continued to invest in digital strategy, including systems technology, during the year with investment in substantially completing the implementation of new systems for selling and servicing tickets, memberships and donations, as well as an upgrade to our e-commerce system.

The Royal Academy put in place a £5.0m committed Masterplan Revolving Credit Facility ("Masterplan RCF") in May 2017 to provide the required working capital for the completion of the Burlington Project, as redevelopment costs were incurred in advance of the receipt of pledged donations and to fund the final cost overruns on the project. The facility, which is available for a period of five years and which has since been extended to June 2023, can be drawn down in advances with a minimum value of £0.5m. Each advance is repayable after three months; at the end of the three-month period the advance can either be rolled over for another three month period or repaid, with the amount then being available again for draw down. £3.7m of this £5.0m facility was drawn down at the year end. An extension of £3.5m of this £5.0m facility from June 2023 to August 2024 has been approved, with the facility agreement due to be signed later in 2020.

The Royal Academy put in place a £2.5m committed Operating Revolving Credit Facility ("Operating RCF") in March 2018 to manage operating working capital requirements. The facility, which is also available for a period of five years, can be drawn down in advances with a minimum value of £0.15m. Similarly, each advance is repayable after three months; at the end of the three month period the advance can either be rolled over for another three month period or repaid, with the amount then being available again for draw down. This facility was not drawn down at the year end. An extension of £1.5m of this £2.5m facility from March 2023 to August 2024 has been approved, with the facility agreement due to be signed later in 2020.

The Royal Academy has benefited significantly from the introduction of the Museums and Galleries Tax relief from 1 April 2017, providing much needed financial support to the exhibitions and free display programme amounting to about £0.4m each year to date.

Reserves

The policy of the Royal Academy is to maintain a sufficient level of free reserves to enable operating activities to be maintained, taking account of potential risks and contingencies that may arise from time to time. A formal policy on reserves was originally agreed at the meeting of Council on 4 October 2011 and approved annually thereafter which states:

The trustees have set a reserves policy which requires:

- Reserves to be maintained at a level which ensures that the Royal Academy's core activities could continue during a period of unforeseen difficulty and that current and future commitments can be honoured.
- A proportion of reserves to be maintained in a readily realisable form.
- The policy is reviewed annually by Council.

Free reserves comprise that part of the total unrestricted funds that are freely available. Arising from the most recent review, the trustees have adopted a risk-based approach to determine an appropriate level of free reserves. The trustees consider it appropriate to have free reserves sufficient to cover a period of unforeseen difficulties and consider this to be the greater of a period of three months, being the normal duration of a main gallery exhibition,

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such that this would allow the Royal Academy to continue running in the circumstances that an exhibition is cancelled without an alternative being viable, and a period of six months, during which the Royal Academy has less than budgeted visitor numbers, due to the impact of external factors, such as the threat of terrorism or a pandemic, reducing the number of visitors to London generally and the RA's campus more specifically.

The trustees have specifically considered the prospective financial impact of the key risks identified in the Royal Academy's Risk Register, including those pertaining to meeting the budget approved for the year ended 31 August 2021 and have further considered the medium term cash flow forecasts of the Royal Academy underpinning the Vision 2021-2025 strategy and the long term loan funding in place. The trustees have also considered expenditures that could be deferred or avoided to mitigate the detrimental impact of unforeseen difficulties.

Based on this detailed review and analysis, the trustees consider that an appropriate level of free reserves would be in the order of £4.5m to be held by way of operating contingency at all times to enable the Royal Academy to continue operating for a period of three months to cover both a fall in exhibition, trading and voluntary income and fixed operating costs (including salaries) and the prospective financial impact of other uninsured risks or six months, in the event of reduced visitor numbers due to external factors, such as the threat of terrorism or a pandemic.

Actual free reserves as at 31 August 2020

As at 31 August 2020, total unrestricted and non-designated funds stood at £85.2m, including £95.4m of fixed assets. Free reserves, which exclude fixed assets, are therefore in deficit by £10.2m, after taking account of the pension scheme asset of £6.7m and are £14.7m less than the desired level of £4.5m.

The free reserves deficit of £10.2m is represented by net current liabilities of £6.1m plus long term liabilities of £10.8m, of which £10.0m is repayable in ten equal instalments from 2035-2044; and the pension scheme asset of £6.7m.

The net current liabilities of £6.1m as at 31 August 2020 include £3.7m drawn on the £5.0m Masterplan RCF, which can, if required, be rolled forward after each three month interest period to June 2023. Additionally, the Royal Academy has access to a committed £2.5m Operating RCF to March 2023 and a £0.5m overdraft facility, neither of which had been drawn upon at the year end.

In November 2020, the Royal Academy Trust approved a £2.0m donation to the Royal Academy from unrestricted funds towards Burlington Project – Phase I cost overruns, with the donation expected to be received by March 2021 and also pledged a further £2.0m donation to the Royal Academy, which may be drawn down over the period to 31 August 2023 as emergency support funding to mitigate the financial impact of Covid-19.

In view of the level of current liquid resources, future pledged donations and the long term loan funding and short term facilities in place, which are all available for operational purposes, the trustees consider that the Royal Academy has both sufficient funding and liquidity for the foreseeable future.

As outlined above, in parallel with the wider strategic review in the period to February 2020, a financial sustainability review was undertaken informed by the actual financial performance in 2018/19, the first full financial year in which the RA operated its expanded campus. Part of the scope of this review was to identify a series of key financial metrics providing a benchmark towards achieving financial sustainability, which included delivering the required level of surplus funds to achieve the target level of free reserves over the long term (being a period of five to seven years). With the outbreak of the Covid-19, these metrics are unlikely to be delivered against for an extended period, and while the net shortfall will be partly mitigated by annual savings from the restructuring programme, the period to achieving the target level of free reserves will inevitably be extended.

The trustees also take comfort from the fact that the Royal Academy Trust, an independent charity established under a Trust Deed dated 11 February 1981 specifically to provide support to the Royal Academy, held funds of £46.7m at 31 August 2020 in trust for the Royal Academy, of which £16.6m represents unrestricted funds, including £11.3m that is both unrestricted and not designated. A further £19.6m represents permanent endowment funds, which are accounted for on a total return basis (such that both income and capital appreciation may be distributed), with the remaining £10.5m being restricted funds (including £0.9m which may be used for the general purposes of the Royal Academy). These amounts are held by the Royal Academy Trust until these are required by the Royal Academy for specific purposes and are invested by the Royal Academy Trust to provide future funding for the Royal Academy. As noted above, in November 2020 the Royal Academy Trust approved a £2.0m donation to the Royal Academy to be paid by March 2021 and made a further pledge of £2.0m.

FUTURE PLANS

Our priorities for the year to come

In the current pandemic and with the resulting impact on the RA's public operations, visibility for a five year strategic plan is limited. As we look ahead the Senior Leadership Team has set a goal to put the RA back on a solid financial

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footing by delivering an £8.0m reduction in its cost base across operating and staffing costs. Delivering these savings will require robust cost discipline and a relentless focus on the “core” activities.

The following guiding principles have informed our savings plan and will be applied to our decision-making over the coming years.

1. **Focus where it counts:** Given our significantly reduced visitor and income projections, we need to focus on those “core” activities that support the founding principles of the RA – namely, the Membership of Royal Academicians; the Schools; the exhibitions programme; the Collection; and, our learning programme.
2. **Protect and reinforce:** We need to focus on an essential programme that brings back and optimally serves our existing audiences. An important pillar of that is an ambitious, international, varied, inspiring and diverse exhibitions programme. We also need to ensure the continued engagement with our audiences on site, online and in print.
3. **Welcome and serve our audiences:** The RA is known for its warm and convivial atmosphere and the sense of community it creates. We need to continue providing our characteristic hospitable and safe environment and focus on the RA visitor experience that our audiences have come to expect.
4. **Prioritise cost-reduction for a five year horizon:** The recent history of the RA has been defined by growth: the extension of the building; ever growing ambitions and increasing levels of activity; and an expanding staff base. In the next five years, we will need to pull back and focus on the core. In order to achieve the critical budget savings, we need to reverse this trend and reduce the amount of activity considerably. The focus needs to be on activities that directly fulfil our mission, serve our audiences and are affordable. It is about sustainability rather than growth.

We propose a two phase approach:

Phase 1: Circuit breaker

In order to deal with the harsh shortfall in income due to the Covid-19 pandemic, over the next two years we need to reduce our level of activity more significantly. Much of our activity will also be impossible due to Covid-19 induced restrictions. This period needs to act as a “circuit breaker” that will save a significant amount of money and enable us to balance our income and costs and sets us up for the next phase.

During this phase we plan to:

- Reduce public opening hours and days – moving to a six day per week opening (closed on Mondays) with very limited late openings
- Reduce the exhibitions programme from nine to six exhibitions per annum (with the exception of the next financial year to 31 August 2021, in which we have scheduled seven exhibitions)
- Deliver a significantly reduced public programme and as part of this, close the Benjamin West Lecture Theatre until at least the end of 2021
- Suspend the programme of changing free displays and focus more on semi-permanent displays and less on frequent turnarounds in the Tennant Gallery, Fine Rooms, Rausing Hall, McAulay Gallery and Weston Studio
- Stop all catered events – including opening receptions, lenders’ dinners and private dining experiences; and to re-consider the Annual Dinner in 2021 and 2022
- Transition to a single sales and marketing team, which allows for a more efficient and strategic way of engaging our audiences.

Phase 2: Disciplined build-back

Following this initial two year period, for the subsequent three years, finances and visitor numbers allowing, we aim to enter a period of recovery in which we can slowly grow activity in a disciplined way to a sustainable level.

Improve the coordination of content generation and distribution: We need to improve the coordination across our programmes and develop a more efficient and scalable use of our content across our different channels and stakeholder groups. To service this, we will be introducing a Content Board with senior representatives from all relevant areas to ensure a focused and joined up approach to content is taken across all channels from exhibitions to collections, from social media to the RA Magazine.

Race and gender equity and inclusion

We pledge to review the impact of the redundancies to ensure there is no disadvantage or prejudice shown to any workers on account of race, age, gender, disability or any other protected characteristics.

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Trustees' Report

For the year ended 31 August 2020

We also need to continue our work on inclusion and racial equity across all aspects of the RA and be mindful of the ways that we can rebuild our programmes and our institution with more thought given to an equitable workplace and place of study. Our own work must continue, although we will miss some of the input from those who began this process with us. We will look to agree plans and proposals for the continuation of this work in early 2021 and ensure that we have the right training for all staff in place.

Principal risks and uncertainties and risk management

Council, advised by the SLT and other specialist committees, evaluate and monitor risks and ensure systems and controls are subject to regular review. Where appropriate, mitigating actions and improvements are put in place by the SLT.

All risks identified are recorded in the Risk Register, which is maintained on an ongoing basis and not only includes details of all risks considered but also provides a mechanism for assessing and monitoring those risks, detailing the SLT member responsible and the actions taken to mitigate the risk.

The Risk Register is formulated by the SLT; is reviewed quarterly; and is formally reviewed by the Audit Committee on an annual basis. Each risk is given a ranking score, based on impact and likelihood. The highest scoring risks are reviewed by Council and are given the highest priority in terms of management focus and mitigating actions are put into place. The Risk Register also provides the basis for an ongoing programme of Internal Audit reviews, the findings of which are reported to the quarterly Audit Committee meetings.

The outbreak of the Covid-19 pandemic and subsequent lockdown and closure of the Royal Academy has had a significant impact on the RA's operations, financial sustainability and the wider risk landscape and this will continue for some time yet. The Royal Academy's financial sustainability, more specifically the risk of not maintaining an adequate level of cash reserves, was already a highly ranked risk and the likelihood of this has been exacerbated by Covid-19. In response to this, we are undertaking a significant restructuring due to be completed later in 2020; the scale of the restructuring also represents a risk, in part mitigated by the process and intensive review undertaken in formulating the basis for this re-organisation.

The other highest scoring risks, several of which will be impacted by Covid-19, include the risk of the possibility of plant failure in the galleries; loss or damage to artworks; reduced visitor numbers to our exhibition programme; a reduction in the Friends' donation to the Royal Academy arising from diminished Friends' membership income; and the threat of a data security breach or cyber-attack. External risks include the impact of "Brexit" across a number of areas, including the impact on our loan exhibition programme, from both a logistics and costs viewpoint; corporate sponsorship and general consumer confidence; staff recruitment and retention; and future intakes of students to the RA Schools; and the impact of the terrorism threat on the number of visitors to the Royal Academy's exhibition programme.

These risks are all subject to immediate management consideration to provide mitigation. Mitigation steps include completion of the plant upgrade programme, together with planned preventative maintenance; continuous review of our exhibitions programme and forward planning for future exhibitions; security and working practices in place, together with disaster recovery and business continuity planning and procedures; continued review and improvement to the Friends visitor experience and periodic Friends membership pricing reviews; continued improvement to data protection policies, procedures and controls, including emergency response planning; and robust financial planning and analysis supporting the medium term cash flow forecasts of the Royal Academy underpinning the Vision 2021-2025 strategy.

FUNDRAISING

The RA's approach to fundraising is largely relationship led, through individual donor giving, memberships of the RA, capital appeals, legacies and corporate sponsorship. The RA does not generally engage with commercial participators and professional fundraisers. The RA does not carry out house-to-house fundraising or street collections.

The RA is registered with the Fundraising Regulator and has submitted its annual complaints return to the Fundraising Regulator. The RA complies with the Charities Act with regard to fundraising and in addition puts the privacy of our supporter data at the heart of everything we do. We manage personal data respectfully and responsibly in accordance with our published privacy policy.

The RA received 97 complaints associated with fundraising and membership in this financial year, compared to 172 in the previous financial year. This is a comparatively low figure for the sector and our activities and represents the degree with which we have developed our processes to ensure we put our supporters and the safeguarding of their data at the centre of everything we do. Nevertheless, we are committed to studying any expression of dissatisfaction and identifying ways to improve. Our supporter relations team investigate each complaint and we do all we can to resolve complaints and ensure supporters are happy with our work.

**The Royal Academy of Arts
Trustees' Report
For the year ended 31 August 2020**

STATEMENT OF TRUSTEES' RESPONSIBILITIES

The trustees or members of Council (who are also directors of the Royal Academy for the purpose of company law) are responsible for preparing the trustees' report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and the group and of the incoming resources, including the income and expenditure of the charitable group for that period. In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK 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 charity will continue in business; and
- observe the methods and principles in the Charities SORP.

The trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDIT INFORMATION

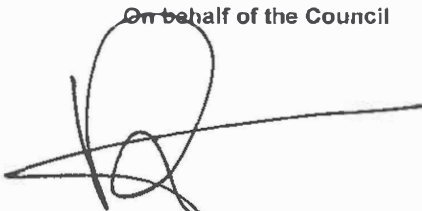
So far as each of the trustees at the time the trustees' report is approved is aware:

- there is no relevant information of which the auditors are unaware; and
- they have taken all relevant steps they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

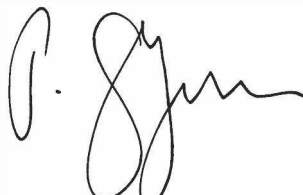
AUDITORS

A resolution to re-appoint Moore Kingston Smith LLP as the Royal Academy's auditors will be put to the forthcoming General Assembly.

On behalf of the Council



**Rebecca Salter PRA
President**



**Peter St John
Treasurer**

**The Royal Academy of Arts
Burlington House
Piccadilly
London W1J 0BD**

Date: 1 Dec 2020 .

Independent Auditors' Report to the Trustees of The Royal Academy of Arts

Opinion

We have audited the financial statements of The Royal Academy of Arts for the year ended 31 August 2020 which comprise the Consolidated Statement of Financial Activities, the Group and Parent Charitable Company Balance Sheets, the Consolidated Statement of Cash Flows 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 (United Kingdom Generally Accepted Accounting Practice) including FRS 102 "The Financial Reporting Standard Applicable in the UK and Ireland".

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent charitable company's affairs as at 31 August 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 auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the charitable company 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 trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's and parent charitable 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 other information comprises the information included in the annual report, other than the financial statements and our auditors' report thereon. The trustees are responsible for the other information. 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 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.

Independent Auditors' Report to the Trustees of The Royal Academy of Arts

Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the trustees' annual report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the trustees' annual report has 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 parent charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the trustees' annual report.

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

- the parent charitable company has not kept adequate and sufficient accounting records, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent charitable company's financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of trustees

As explained more fully in the statement of trustees' responsibilities set out on page 24, the trustees (who are also the directors of the charitable company for the purposes of company law) 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 trustees 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 trustees are responsible for assessing the group and parent charitable 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 trustees either intend to liquidate the group or parent charitable company or to cease operations, or have no realistic alternative but to do so.

Auditors' 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 auditors' 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK) we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the group and parent charitable company's internal control.

Independent Auditors' Report to the Trustees of The Royal Academy of Arts

Auditors' responsibilities for the audit of the financial statements (continued)

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the trustees.
- conclude on the appropriateness of the trustees' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group and parent charitable company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the group or parent charitable company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit report.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Use of this report

This report is made solely to the charitable 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 charitable company's members those matters which we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to any party other than the charitable company and charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Moore Kingston Smith LLP

Andrew Stickland (Senior Statutory Auditor)
for and on behalf of Moore Kingston Smith LLP

Devonshire House
60 Goswell Road
London EC1M 7AD

Date: 8 December 2020

The Royal Academy of Arts
Consolidated Statement of Financial Activities
(including an income and expenditure account)
For the year ended 31 August 2020

Note	Ongoing activities				Burlington Project	Total 2020 £	Total 2019 £
	Unrestricted	Designated	Restricted	Endowment	Restricted		
	funds 2020 £	funds 2020 £	funds 2020 £	funds 2020 £	funds 2020 £		
Income from:							
Donations and legacies							
			316,946	-	-	316,946	274,557
							as restated see note 4 for comparatives
					1,505,000	1,505,000	1,100,000
			19,526			19,526	32,000
			541,990			541,990	530,899
						11,527,070	11,571,381
	11,527,070					11,527,070	11,571,381
	5	1,259,803	2,169,567	3,502,838	625,000	4,044,595	9,565,506
	6	2,357,154		89,047		2,446,201	1,012,781
Charitable activities							
		4,533,432				4,533,432	6,379,617
		73,353				73,353	34,012
		11,877				11,877	21,195
		426,228				426,228	644,906
Other trading activities							
	7	9,315,964				9,315,964	10,794,559
		2,986,511				2,986,511	2,887,201
Investments							
		10,783				7,223	18,006
		601					601
							595
Total income		32,502,776	2,169,567	4,470,347	625,000	5,556,818	45,324,508
Expenditure on:							
Raising funds							
	9	(3,965,482)				(3,965,482)	(4,887,357)
	7	(6,630,888)				(6,630,888)	(7,515,764)
	10	(23,203,089)	(1,908,726)	(2,059,060)		(27,170,875)	(29,439,781)
Other							
							(20,878)
							(23,199)
				(16,828)		(16,828)	(18,666)
Total expenditure		(33,799,459)	(1,908,726)	(2,075,888)		(37,784,073)	(41,905,645)
Net gains on investments	19				31,305		31,305
Net income / (expenditure)	11	(1,296,683)	260,841	2,394,459	656,305	5,556,818	7,571,740
Transfers between funds	24-26	2,743,447	52,459	27,160	150,000	(2,973,066)	
Other gains							
	15	363,493					363,493
	29	631,000					631,000
Net movement in funds		2,441,257	313,300	2,421,619	806,305	2,583,752	8,566,233
Total funds brought forward		82,747,276	387,870	1,453,722		4,296,354	88,885,222
Total funds carried forward		85,188,533	701,170	3,875,341	806,305	6,880,106	97,451,455

All gains and losses arising in the year are included in the Statement of Financial Activities and derive from continuing activities.

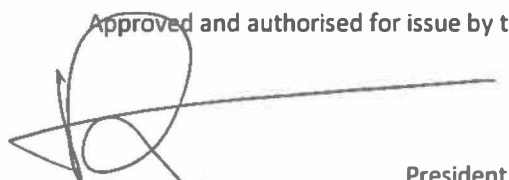
* RAT denotes Royal Academy Trust

The Royal Academy of Arts
Balance Sheets as at 31 August 2020

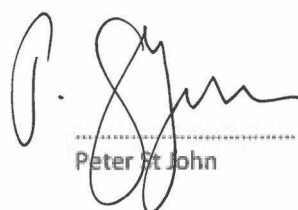
	Note	Group		Royal Academy	
		2020	2019	2020	2019
		£	£	£	£
Fixed assets					
Intangible assets	17	630,765	957,903	480,219	654,342
6 Burlington Gardens	18.c	65,156,834	64,774,708	65,156,834	64,774,708
Other tangible fixed assets	18.a,b	31,298,188	33,661,845	31,272,995	33,631,194
Heritage assets	16	1,392,110	1,142,110	1,392,110	1,142,110
Investments	19	806,305	-	806,413	108
Total fixed assets		99,284,202	100,536,566	99,108,571	100,202,462
Current assets					
Stock		1,078,815	1,012,499	-	-
Debtors	20	3,807,928	4,009,112	4,723,380	4,279,499
Cash and cash equivalents		7,978,608	3,169,490	7,859,180	3,106,157
Total current assets		12,865,351	8,191,101	12,582,560	7,385,656
Creditors - amounts falling due within one year	21	(10,588,175)	(13,265,588)	(10,129,753)	(12,132,839)
Net current assets / (liabilities)		2,277,176	(5,074,487)	2,452,807	(4,747,183)
Total assets less current assets / (liabilities)		101,561,378	95,462,079	101,561,378	95,455,279
Creditors - amounts falling due after more than one year	22	(10,821,923)	(12,374,857)	(10,821,923)	(12,374,857)
Net assets excluding pension scheme asset		90,739,455	83,087,222	90,739,455	83,080,422
Defined benefit pension scheme asset	29	6,712,000	5,798,000	6,712,000	5,798,000
Total net assets		97,451,455	88,885,222	97,451,455	88,878,422
The funds of the charity:					
Endowment funds	24	806,305	-	806,305	-
Restricted funds	25	10,755,447	5,750,076	10,755,447	5,750,076
Unrestricted funds:					
Designated funds	26	701,170	387,870	701,170	387,870
General funds		78,476,533	76,949,276	78,476,533	76,942,476
Pension reserve	29	6,712,000	5,798,000	6,712,000	5,798,000
Total unrestricted funds		85,889,703	83,135,146	85,889,703	83,128,346
Total charity funds		97,451,455	88,885,222	97,451,455	88,878,422

Approved and authorised for issue by the President and Council of The Royal Academy of Arts on

1 Dec 2020


.....
Rebecca Salter PRA

President


.....
Peter St John

Treasurer

Registered Company No. 06298947

The Royal Academy of Arts
Consolidated Statement of Cash Flows
For the year ended 31 August 2020

	Note	2020 £	2019 £	
Net cash provided by operating activities	28	7,812,378	6,125,711	
Tax credit received		534,941	37,878	
Cash flows from investing activities				
Interest paid	11	(500,734)	(618,889)	
Interest received		18,006	21,151	
Payments to acquire intangible fixed assets	17.a	(251,188)	(422,380)	
Payments to acquire tangible fixed assets	18.a	(1,509,685)	(2,079,518)	
Payments to acquire heritage assets	16	-	(14,360)	
Payments to acquire fixed asset investments	19	(775,000)	-	
Net cash used in investing activities		(3,018,601)	(3,113,996)	
Cash flows from financing activities				
Net repayment on revolving credit facilities	21	(300,000)	(1,000,000)	
Bank loan repayments	22	(219,600)	(219,600)	
Net cash used in financing activities		(519,600)	(1,219,600)	
Net change in cash and cash equivalents		4,809,118	1,829,993	
Cash and cash equivalents at the beginning of the year		3,169,490	1,339,497	
Cash and cash equivalents at the end of the year		7,978,608	3,169,490	
Analysis of cash and cash equivalents:				
Cash at bank and in hand		7,978,608	3,169,490	
Total cash and cash equivalents		7,978,608	3,169,490	
Analysis of changes in net debt:				
		Opening £	Cash flows £	Closing £
Cash		3,169,490	4,809,118	7,978,608
Loans falling due within one year	21	(4,219,600)	300,000	(3,919,600)
Loans falling due after more than one year	22	(11,041,523)	219,600	(10,821,923)
Total net debt		(12,091,633)	5,328,718	(6,762,915)

The Royal Academy of Arts
Notes to the Financial Statements
For the year ended 31 August 2020

1 General information

The Royal Academy of Arts ("Royal Academy") and its subsidiaries (together "the Group") continues to aspire to promote the arts of design and educate the public in the creation, appreciation and enjoyment of arts. The registered office is Burlington House, Piccadilly, London.

The Royal Academy is a company limited by guarantee and a registered charity and incorporated in England and Wales.

2 Summary of significant accounting policies

The financial statements have been prepared under the historical cost convention as modified by the revaluation of investments to market value and in compliance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their financial statements in accordance with the Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102"), the Charities Act 2011 and Companies Act 2006.

The financial statements are prepared in sterling which is the functional currency of the Group. Monetary amounts in these financial statements are rounded to the nearest pound.

The Royal Academy is a Public Benefit Entity as defined by FRS 102.

a. Basis of preparation

The financial statements have been prepared on a going concern basis.

The consolidated financial statements comprise the financial statements of the Royal Academy and its three trading subsidiaries: RA (Arts) Limited, Burlington House Limited and R.A. Enterprises Limited made up to 31 August 2020. The total income and expenditure of these entities is shown in the Statement of Financial Activities ("SOFA") and the detailed results are disclosed in note 7 of the financial statements. The statements are consolidated on a line by line basis.

The Royal Academy has taken advantage of the exemption in section 408 of the Companies Act 2006 from disclosing its individual SOFA. The Royal Academy only surplus (net movement in funds) was £8,566,233 (2019: £2,556,266).

The principal accounting policies applied in the preparation of these financial statements are set out in the notes below. These policies have been consistently applied to all the years presented, with the exception of a prior year restatement to reclassify income of £200,482 between donations and grant income and £21,766 of expenditure between charitable activities and fundraising following a review of income and expenditure allocations.

The Royal Academy of Arts
Notes to the Financial Statements
For the year ended 31 August 2020

2 Summary of significant accounting policies (continued)

b. Going concern

The trustees have assessed whether the use of the going concern basis is appropriate and have considered possible events or conditions that might cast significant doubt on the ability of the Royal Academy to continue as a going concern. The trustees have made this assessment for a period of at least one year from the date of approval of the financial statements and have considered the potential impact of the Covid-19 pandemic. In particular, the trustees have considered the sensitivity of forecasts to an extension to the current lockdown and slower recovery from it. They have taken account of the related pressures on its key sources of income from donations, in particular the annual donation from the Friends of the Royal Academy; sponsorship and admission income from its exhibitions programme; and from its trading activities, including onsite and online retail and corporate membership and lets. The trustees have further reviewed its underlying cost base and its expenditure on both its charitable and fundraising activities, as well as from commercial trading, supporting these key sources of income. From this review and in order to mitigate the impact of Covid-19 over both the next 12 months and to ensure the longer term financial sustainability of the Royal Academy, the trustees are embarking on a significant restructuring programme to establish a core organisational structure and to deliver £8m annual cost savings. The Royal Academy is currently in a Collective Consultation process in respect of a substantial redundancy programme, which is planned to be completed later in 2020.

Notwithstanding the impact of the Covid-19 pandemic, the trustees consider that there are no material uncertainties about the Group's ability to continue as a going concern. The Group has net current assets of £2.3m at the year end, including £3.7m drawn on a £5.0m committed Masterplan Revolving Credit Facility ("Masterplan RCF"), which can, if required, be rolled forward after each three month interest period to June 2023. The Group also has access to a committed £2.5m Operating Revolving Credit Facility ("Operating RCF") to March 2023 and a £0.5m overdraft facility, neither of which had been drawn upon as at the year end or in the post year end period to date.

An extension of £3.5m of the £5.0m Masterplan RCF from June 2023 to August 2024 and £1.5m of the £2.5m Operating RCF from March 2023 to August 2024 has been approved, with the facility agreement due to be signed later in 2020.

In addition, the Royal Academy Trust, an independent charity established to specifically provide support to the Royal Academy, held funds of £46.7m at 31 August 2020 in trust for the Royal Academy, of which £16.6m are unrestricted, including £11.3m that is both unrestricted and not designated, and £0.9m of restricted funds held in the Paul Mellon Endowment fund, which may be used for the general purposes of the Royal Academy.

In November 2020, the Royal Academy Trust approved a £2.0m donation to the Royal Academy from unrestricted funds towards Burlington Project – Phase I cost overruns, with the donation expected to be made by March 2021. The Royal Academy Trust had previously agreed to fund up to £5.0m of cost overruns, for which £3.0m had been donated previously. It was originally anticipated that the final £2.0m donation would not be made until the year ended 31 August 2023, but as a result of the significant financial challenges facing the Royal Academy as a result of the Covid-19 pandemic, an earlier donation has been approved. In November 2020, the Royal Academy Trust also pledged a further £2.0m donation to the Royal Academy, which may be drawn down over the period to 31 August 2023 as emergency support funding to mitigate the financial impact of Covid-19.

In view of the steps being taken to reduce the cost base; the level of current liquid resources; the long term loan funding and short term facilities in place; and the pledged donations and ongoing support of the Royal Academy Trust, the trustees consider that the Group has both sufficient funding and liquidity for the foreseeable future. The charity therefore continues to adopt the going concern basis in preparing its financial statements.

The Royal Academy of Arts
Notes to the Financial Statements
For the year ended 31 August 2020

2 Summary of significant accounting policies (continued)

c. Total return investment accounting

The trustees have elected to adopt the total return approach for the investment of its permanent endowments. Under this approach, the permanently endowed funds are invested to produce an investment return without regard to whether that return is in the form of income or capital appreciation; the investment return forms a component of the endowment fund called the unapplied total return. The trustees periodically determine how much of the unapplied total return is released to income for spending and how much is retained for investment. This allocation is made equitably to balance the need for income to meet current requirements and to hold funds as part of the endowment to produce investment returns for the future.

d. Funds structure

Where there is a legal restriction on the purpose to which a fund may be put, the fund is classified either as a restricted fund or an endowment fund.

Restricted funds are those where the donor has provided for the donation to be spent in furtherance of a specified charitable purpose.

Endowment funds arise when the donor has expressly provided that the donation is to be invested and only the income of the fund may be spent. These funds are sub analysed between those where the trustees have the discretion to spend the capital, an expendable endowment, and those where there is no discretion to expend the capital, a permanent endowment.

Those funds which are neither endowment nor restricted income funds, are unrestricted income funds which are sub analysed between designated funds, where Council have set aside amounts to be used for specific purposes or which reflect the non-binding wishes of donors; and unrestricted funds, which are used at the trustees' discretion in furtherance of the general objectives of the Royal Academy, including the general fund which represents the Group's reserves. The major funds held in each of these categories are disclosed in notes 24 to 26.

Transfers between funds represents the funds transferred between restricted funds to the general unrestricted fund on completion of projects and restrictions being satisfied.

e. Burlington House

The Royal Academy holds a 999 year lease on Burlington House, of which almost 850 years remain, title to which is vested in the Secretary of State for the Department of Communities and Local Government. The rent of the property is nominal but it is the responsibility of the Royal Academy to maintain the property in a sound condition. The property is inalienable in that its ownership reverts to the Government if it is no longer used by the Royal Academy. The property works carried out on the galleries, Schools and Library are principally to maintain the fabric in its original condition and ensure an adequate environment for the exhibits. As the value of these works is part of the fabric of the building and cannot be realised, these are not recognised in the balance sheet except in the case of building improvements as detailed in the fixed assets and depreciation policy described below.

f. Heritage assets

The Royal Academy holds a collection of works of art, which consists of paintings, sculptures and prints, together with a library of books acquired by the Royal Academy by donation, bequest and from members on election to the Royal Academy ("Diploma Works").

The Royal Academy of Arts
Notes to the Financial Statements
For the year ended 31 August 2020

2 Summary of significant accounting policies (continued)

f. Heritage assets (continued)

The trustees do not consider that reliable cost or valuation information can be obtained for the vast majority of heritage assets held by the Royal Academy. In particular, the Diploma Works have an intrinsic value to the Royal Academy collection as an embodiment of the development of the Royal Academy as an institution. The manner in which they are given to the Royal Academy makes the valuation of these items very subjective, such that a reliable value cannot be arrived at. Furthermore, the cost of valuing the entire collection would be onerous compared with the benefit derived by users of the financial statements in assessing the Royal Academy's stewardship of these assets.

As such, the Royal Academy does not recognise these assets on its balance sheet other than acquisitions made since 1 April 2010 with a value of £10,000 or more. These are reported at cost where the asset is purchased or at the curator's best estimate of current value where the asset is donated. Such assets are not depreciated but are reviewed for impairment in the event of physical deterioration. Any impairment in the value of an asset is treated as charitable expenditure in the year in which it arises.

Expenditure which is required to preserve or prevent further deterioration of the collection is recognised in the SOFA when it is incurred.

g. Foreign currency

Investment transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Assets and liabilities denominated in foreign currencies are retranslated at the rate ruling at the balance sheet date.

h. Intangible assets

Computer software and website costs are stated at cost less accumulated amortisation and impairment losses. These are amortised over their estimated useful life, of three years, on a straight line basis.

i. Tangible assets

Expenditure on building improvements, new machinery and equipment is capitalised as fixed assets and stated at cost less accumulated depreciation. The Royal Academy applies a £1,000 threshold to the capitalisation of fixed assets. Depreciation is charged at the following rates on a straight line basis:

Building improvements	5 to 25 years
Computers	over 3 years
Office fixtures and fittings	3 to 10 years
Plant and equipment	5 to 15 years
Motor vehicles	over 3 years

Short leasehold property improvements are depreciated over the period of the lease.

Freehold property has been capitalised and included in fixed assets at cost. Depreciation has not been provided after taking into account the value of the land, the residual value of the property and the estimated useful life of the asset. The property is reviewed annually for any potential impairment.

No depreciation is charged on assets in course of construction. Where assets are constructed as part of a project for which specific identifiable assets are brought into service before the overall project is completed, such assets will be transferred from assets in course of construction to building improvements or fixtures, fittings and equipment as appropriate and depreciated from the date these are placed in service.

The Royal Academy of Arts
Notes to the Financial Statements
For the year ended 31 August 2020

2 Summary of significant accounting policies (continued)

j. Operating leases

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the SOFA on a straight line basis over the period of the lease.

Incentives received to enter into operating leases are credited to the SOFA to reduce the lease expense, on a straight line basis over the period of the lease.

k. Stock

Stock principally consists of shop and e-commerce products and is valued at the lower of cost and net realisable value. In the case of artworks provided by an artist these items are recognised in the financial statements at their anticipated sales price, less anticipated cost of sales and any subsequent impairment.

l. Income

Income, which is stated net of VAT where applicable, and intra-group transactions, consists of box office takings, sponsorship, donations and grants.

Income received for an activity taking place in a subsequent period is deferred to that period in accordance with FRS 102, except where that income relates to an exhibition where the accounting policy outlined below is followed.

i. Exhibitions

The results of exhibitions are recognised in the financial statements of the year in which the majority of the exhibition takes place. Costs incurred and income received, including sponsorship income, in connection with forthcoming exhibitions, where the majority of the exhibition falls after the year end, are deferred at the balance sheet date. If a decision is made not to proceed with an exhibition, the costs are written off. Commission on art sales at the Royal Academy's Summer Exhibition is recognised at the point of sale by the artist.

ii. Donated services

Where an artist has donated their services, for example, in the creation of artworks or artworks themselves, to be sold alongside an exhibition, the donated services or artworks are recognised in the financial statements in accordance with the policy for exhibitions income disclosed above.

Other donated services are recognised when these have been delivered and are valued at the amount the Royal Academy would be prepared to pay for a similar service.

iii. Patrons

Patrons income is recognised in the financial statements on a cash received basis.

iv. Grants

For performance related grants, income entitlement is considered to be conditional upon the meeting of conditions imposed by the grant. Income is therefore recognised in the financial statements to the extent that the Royal Academy has demonstrably met any grant conditions imposed.

Non-performance related grants are recognised when there is evidence of entitlement, receipt is probable (more likely than not) and its amount can be measured reliably.

The Royal Academy of Arts
Notes to the Financial Statements
For the year ended 31 August 2020

2 Summary of significant accounting policies (continued)

I. Income (continued)

v. Donations

Donations and related Gift Aid are accounted for when the donation is received. If donations are specifically in connection with a future event, these are restricted; if specifically in connection with a future exhibition, these follow the policy set out in 2.I.i..

vi. Trading subsidiary income

Turnover is measured at the fair value of the consideration received or receivable and represents the amount receivable for goods supplied or services rendered, net of discounts and VAT.

Turnover is recognised at the point of sale for goods and when services have been delivered. Subscriptions are accounted for in the period in which membership commences.

m. Legacies

Legacies are accounted for as income where there is clear entitlement; the amounts can be measured reliably; and receipt is probable.

Receipt is probable when:

- Confirmation has been received from the representatives of the estate(s) that probate has been granted; and
- The executors have established there are sufficient assets in the estate to pay the legacy; and
- All conditions attached to the legacy have been fulfilled or are within the charity's control.

Measurement is based on the value listed in the will for pecuniary gifts, provided the estate has sufficient funds, and on the estate accounts for residuary gifts.

n. Expenditure

Expenditure is accounted for on an accruals basis inclusive of any VAT which cannot be recovered. Expenditure is recognised when there is a legal or constructive obligation to transfer economic benefit to a third party, it is probable a transfer of economic benefit will be required in settlement and the amount can be measured reliably.

Expenditure on raising funds consist of costs of trading subsidiaries and fundraising expenditure. These include the direct costs of the department, including the running costs of sponsorship, fundraising and events, together with a share of the support costs of the Royal Academy.

Charitable activities include all costs related to the main purpose of the Royal Academy and include: direct costs of exhibitions and the associated education programme; running the Royal Academy Schools; and the conservation of the permanent collection and the Library. Publicity costs are allocated to Exhibitions, Schools, Collections and Education based on the income from each area.

Support costs are the costs of departments which are shared by the various activities of the Royal Academy: Finance, Human Resources, Information Technology, Facilities and governance costs. These costs are allocated to activities on a basis that is appropriate to the nature of the expenditure and have therefore been allocated over headcount.

The Royal Academy of Arts
Notes to the Financial Statements
For the year ended 31 August 2020

2 Summary of significant accounting policies (continued)

o. Employee benefits

The Royal Academy provides a range of benefits to employees, including paid holiday arrangements and defined contribution pension plans.

i. Short term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

ii. Defined benefit pension plan

The Royal Academy of Arts Pension Scheme (“the Scheme”) is a defined benefit pension scheme closed to future accrual on 30 September 2016. Pension assets and liabilities are recorded in line with Section 28 of FRS 102. With scheme valuations undertaken by independent actuaries, FRS 102 measures the value of pension assets and liabilities at the balance sheet date and determines the benefits accrued in the year and the interest on assets and liabilities. Current service costs, together with the net interest for the year, are allocated to relevant expenditure headings within the SOFA. Scheme assets are measured at fair value at the balance sheet date. Scheme liabilities are measured on an actuarial basis at the balance sheet date using the projected unit method and discounted at a rate equivalent to the current rate of return on a high-quality corporate bond of equivalent term to the Scheme liabilities. The change in value of assets and liabilities arising from asset valuation, changes in benefits, actuarial assumptions, or change in the level of deficit attributable to members is recognised in unrestricted funds in the SOFA within remeasurement of defined benefit pension scheme asset. The resulting defined benefit pension scheme asset or liability is presented separately on the face of the balance sheet in unrestricted funds. The Royal Academy recognises an asset for its Scheme to the extent this is considered recoverable through reduced contributions in the future, or through refunds from the Scheme. The trustees of the Scheme believe that the Scheme currently meets the minimum funding requirements. The assets of the Scheme are held completely independently from the Royal Academy.

The income and expense related to the Scheme is allocated entirely to the unrestricted ongoing activities of the Group.

iii. Defined contribution pension plans

The Royal Academy operates two defined contribution plans for its employees. The contributions are recognised as an expense when these are due. Amounts not paid are shown in accruals in the balance sheet.

iv. Termination payments

Termination benefits are payable when employment is terminated by the Royal Academy before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Royal Academy recognises termination benefits when it is demonstrably committed to either (i) terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or (ii) providing termination benefits as a result of an offer made to encourage voluntary redundancy.

p. Administered funds

Investments held by the administered funds are stated at market value at the balance sheet date. Dividend income from investments is recognised on an accruals basis.

The Royal Academy of Arts
Notes to the Financial Statements
For the year ended 31 August 2020

2 Summary of significant accounting policies (continued)

q. Investments

Listed investments are stated at market value at the year end. The market value of securities is based on the bid market quotation on the relevant stock exchange and investments that are held in units are stated at the average of the unit bid and offer prices. Unlisted investments are stated at cost as no market value is available. The SOFA includes any realised or unrealised gain or loss during the year. Investment income, including the related tax credit, and interest on bank and short-term deposits are accounted for on a receivable basis.

r. Financial instruments

Financial instruments are recognised in the Royal Academy's balance sheet when it becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Royal Academy after deducting all of its liabilities.

i. Basic financial assets

Basic financial assets, which include trade and other receivables and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost less any impairment.

ii. Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in the SOFA.

Trade debtors and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "debtors". Debtors are measured at amortised cost less any impairment.

iii. Impairment of financial assets

Financial assets, other than those held at fair value through the SOFA, are assessed for indicators of impairment at each reporting end date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. The impairment loss is recognised in the SOFA.

iv. Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

v. Basic financial liabilities

Basic financial liabilities, including trade and other payables and bank loans are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

The Royal Academy of Arts
Notes to the Financial Statements
For the year ended 31 August 2020

2 Summary of significant accounting policies (continued)

r. Financial instruments (continued)

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. These are classified as current liabilities if payment is due within one year or less. If not, these are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost.

vi. Other financial liabilities

Derivatives, including forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in the SOFA in finance costs or finance income as appropriate. Hedge accounting is not currently applied.

3 Critical accounting judgments and estimation uncertainty

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

a. Useful economic lives of tangible and intangible assets

The annual depreciation and amortisation charge for fixed assets is sensitive to changes in the estimated useful economic lives of the assets. The useful economic lives are re-assessed annually. These are amended where necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See notes 17 and 18 for the carrying value of assets and note 2.h and 2.i for the useful economic lives.

b. Impairment of debtors

The Royal Academy makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience.

c. Defined benefit pension scheme asset / liability

The determination of the assumptions used in calculating the defined benefit pension scheme asset / liability is the responsibility of the trustees of the Royal Academy, with delegated authority to the Director of Finance. The assumptions are set with regard to advice given by the scheme actuary.

The Royal Academy of Arts
Notes to the Financial Statements
For the year ended 31 August 2020

4 Prior year comparatives by type of fund

The SOFA provides prior year comparatives in total; this note provides prior period comparatives for each of the types of funds.

		Ongoing activities			Burlington Project	Total 2019 £
		Unrestricted funds 2019 £	Designated funds 2019 £	Restricted funds 2019 £	Restricted funds 2019 £	
Income from:						as restated
Donations and legacies						
General donations from RAT*		-	-	274,557	-	274,557
Other donations from RAT*:						
Burlington Project		-	-	-	1,100,000	1,100,000
Cataloguing project		-	-	32,000	-	32,000
Other projects		-	-	530,899	-	530,899
Donations from Friends of the RA		11,571,381	-	-	-	11,571,381
Other donations	5	2,601,027	283,831	2,713,236	3,967,412	9,565,506
Grant income	6	-	-	1,012,781	-	1,012,781
Charitable activities						
Exhibitions		6,379,617	-	-	-	6,379,617
Schools		34,012	-	-	-	34,012
Library		21,195	-	-	-	21,195
Education		644,906	-	-	-	644,906
Other trading activities						
Income from trading subsidiaries	7	10,794,559	-	-	-	10,794,559
Sponsorship, rent and other receipts		2,887,201	-	-	-	2,887,201
Investments						
Bank interest		20,627	-	-	524	21,151
Dividends		595	-	-	-	595
Total income		34,955,120	283,831	4,563,473	5,067,936	44,870,360
Expenditure on:						
Raising funds						
Fundraising	9	(4,887,357)	-	-	-	(4,887,357)
Expenditure from trading subsidiaries	7	(7,515,764)	-	-	-	(7,515,764)
Charitable activities	10	(25,504,679)	(2,000)	(3,933,102)	-	(29,439,781)
Other						
Project management		(20,878)	-	-	-	(20,878)
Temporary accommodation		(3,814)	-	-	(19,385)	(23,199)
Donation to RAT*		-	-	(18,666)	-	(18,666)
Total expenditure		(37,932,492)	(2,000)	(3,951,768)	(19,385)	(41,905,645)
Net income / (expenditure)	11	(2,977,372)	281,831	611,705	5,048,551	2,964,715
Transfers between funds	24-26	4,309,010	-	-	(4,309,010)	-
Other gains						
Tax credit	15	434,551	-	-	-	434,551
Remeasurement of defined benefit pension scheme asset	29	(843,000)	-	-	-	(843,000)
Net movement in funds		923,189	281,831	611,705	739,541	2,556,266
Total funds brought forward		81,824,087	106,039	842,017	3,556,813	86,328,956
Total funds carried forward		82,747,276	387,870	1,453,722	4,296,354	88,885,222

* RAT denotes Royal Academy Trust

The Royal Academy of Arts
Notes to the Financial Statements
For the year ended 31 August 2020

5 Income from other donations

	Unrestricted funds £	Designated funds £	Restricted funds £	Endowment funds £	Total £
2020					
Exhibitions	426,554	-	342,480	-	769,034
Schools	14,633	55,635	488,025	-	558,293
Collections	250	-	12,500	-	12,750
Education	47,337	500	206,048	-	253,885
General - Other*	771,029	-	2,441,151	-	3,212,180
Burlington Project - Sackler lift	-	-	250,000	-	250,000
Burlington Project - Phase I/II	-	-	3,794,595	-	3,794,595
Presidents Fund	-	8,393	-	-	8,393
Schools - Permanent Endowment	-	-	-	625,000	625,000
Coronavirus Emergency Support Fund ("CESF")	-	1,533,708	-	-	1,533,708
Legacies - Schools	-	-	12,634	-	12,634
Legacies - Presidents Fund**	-	185,333	-	-	185,333
Legacies - CESF	-	385,998	-	-	385,998
Total	1,259,803	2,169,567	7,547,433	625,000	11,601,803
2019 as restated					
Exhibitions	348,678	-	422,323	-	771,001
Schools	113,941	20,000	299,619	-	433,560
Collections	3,790	15,240	560,451	-	579,481
Education	25,925	-	508,377	-	534,302
General - Plant upgrade	-	-	558,675	-	558,675
General - Other	2,074,619	-	195,126	-	2,269,745
Burlington Project	1,850,981	-	2,116,431	-	3,967,412
Presidents Fund	-	242,500	-	-	242,500
Exhibitions - Permanent Endowment	-	-	-	150,000	150,000
Legacies - Presidents Fund**	-	58,830	-	-	58,830
Total	4,417,934	336,570	4,661,002	150,000	9,565,506

* General other includes a donation of £2,159,884 for the purchase and maintenance of 7 Pembroke Studios (see note 25.b).

** With effect from 1 September 2018, Council has determined that unrestricted legacies will be set aside as part of the "Presidents Fund" which is a designated fund held for the general purposes of the Royal Academy.

The Royal Academy of Arts
Notes to the Financial Statements
For the year ended 31 August 2020

6 Income from grant income

	Unrestricted funds £	Restricted funds £	Total £
2020			
Coronavirus Job Retention Scheme	2,300,268	-	2,300,268
Exhibitions	-	27,770	27,770
Schools	56,886	-	56,886
Education	-	61,277	61,277
Total	2,357,154	89,047	2,446,201
2019 as restated			
Exhibitions	-	1,012,000	1,012,000
Education	-	781	781
Total	-	1,012,781	1,012,781

The Royal Academy has taken advantage of the Government's Coronavirus Job Retention Scheme ("CJRS") since it was introduced in March 2020, placing over 60% of permanent staff on furlough at points during the period to 31 August 2020, as well as temporary staff.

The Royal Academy of Arts
Notes to the Financial Statements
For the year ended 31 August 2020

7 Results from subsidiaries

The Royal Academy has three wholly owned trading subsidiaries: R.A. Enterprises Limited, which operates a shop and e-commerce business, a restaurant and cafés, a publications and art sales business and commercial learning; RA (Arts) Limited, which provides entertainment services to the corporate sector; and Burlington House Limited, which raises funds from the corporate sector and individuals through ticketed events. These companies have entered into deeds of covenant to donate their distributable profits to the Royal Academy. The registered offices of all subsidiaries is Burlington House, Piccadilly, London. A summary of their trading results is shown below. Audited financial statements for these subsidiaries are filed annually with the Registrar of Companies.

Profit and Loss:	Total	R.A. Enterprises Ltd		RA (Arts) Ltd		Burlington House Ltd	
	2020	2020	2019	2020	2019	2020	2019
	£	£	£	£	£	£	£
Turnover	9,315,964	7,042,424	7,228,548	2,059,757	2,664,056	213,783	901,955
Cost of sales	(3,128,689)	(2,934,628)	(3,180,088)	(65,029)	(76,896)	(129,032)	(418,887)
Administrative expenses	(3,502,199)	(3,167,538)	(3,284,521)	(264,527)	(386,488)	(70,134)	(168,884)
Total expenses	(6,630,888)	(6,102,166)	(6,464,609)	(329,556)	(463,384)	(199,166)	(587,771)
Net result	2,685,076	940,258	763,939	1,730,201	2,200,672	14,617	314,184
Distribution to the Royal Academy	(2,685,076)	(940,258)	(763,939)	(1,730,201)	(2,200,672)	(14,617)	(314,184)

No charge to taxation will arise as the companies have entered into deeds of covenant to donate their distributable profits to the Royal Academy.

Balance Sheet:

Fixed assets

Intangible fixed assets	150,546	150,546	304,163	-	-	-	-
Tangible fixed assets	25,197	25,197	30,646	-	-	-	-
Total fixed assets	175,743	175,743	334,809	-	-	-	-

Current assets

Stock	1,078,815	1,078,815	1,012,499	-	-	-	-
Debtors	1,228,038	463,859	477,441	419,589	511,933	344,590	161,600
Cash and cash equivalents	108,716	55,516	-	-	-	53,200	-
Total current assets	2,415,569	1,598,190	1,489,940	419,589	511,933	397,790	161,600

Current liabilities

Creditors - amounts falling due within one year	(2,591,204)	(1,773,929)	(1,824,745)	(419,585)	(511,929)	(397,690)	(161,500)
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Net current assets / (liabilities)

	(175,635)	(175,739)	(334,805)	4	4	100	100
Total assets less total liabilities	108	4	4	4	4	100	100

Capital and reserves

Called up share capital	108	4	4	4	4	100	100
Equity shareholders' funds	108	4	4	4	4	100	100

The Royal Academy of Arts
Notes to the Financial Statements
For the year ended 31 August 2020

8 Support costs

2020	Finance £	IT £	Personnel £	Facilities £	Governance £	Total £
Exhibitions	893,634	515,109	209,629	1,484,179	194,462	3,297,013
Schools	229,792	132,456	53,904	381,646	50,005	847,803
Collections	217,026	125,098	50,910	360,444	47,227	800,705
Education	293,623	169,250	68,878	487,659	63,895	1,083,305
Publicity	548,947	316,424	128,772	911,710	119,455	2,025,308
Fundraising	510,648	294,348	119,788	848,103	111,121	1,884,008
2020 total	2,693,669	1,552,684	631,880	4,473,741	586,165	9,938,142

2019	Finance £	IT £	Personnel £	Facilities £	Governance £	Total £
						as restated
Exhibitions	1,075,081	535,589	191,724	1,605,947	218,091	3,626,432
Schools	246,978	123,041	44,045	368,934	50,102	833,100
Collections	276,035	137,516	49,226	412,338	55,996	931,111
Education	290,563	144,754	51,817	434,040	58,943	980,117
Publicity	639,238	318,458	113,998	954,888	129,676	2,156,258
Fundraising	653,766	325,696	116,589	976,590	132,623	2,205,264
2019 total	3,181,661	1,585,054	567,399	4,752,737	645,431	10,732,282

9 Fundraising

	2020 £	2019 £
		as restated
Direct fundraising costs	2,081,474	2,682,093
Support costs (note 8)	1,884,008	2,205,264
Total	3,965,482	4,887,357

10 Charitable activities

2020	Direct costs £	Support costs £	Publicity costs (i) £	Total £
Exhibitions	12,097,532	3,297,013	4,750,497	20,145,042
Schools	1,216,587	847,803	76,865	2,141,255
Collections	1,212,002	800,705	12,446	2,025,153
Education	1,329,484	1,083,305	446,636	2,859,425
Total	15,855,605	6,028,826	5,286,444	27,170,875

(note 8)

The Royal Academy of Arts
Notes to the Financial Statements
For the year ended 31 August 2020

10 Charitable activities (continued)

2019	Direct costs £	Support costs £	Publicity costs (i) £	Total £ <small>as restated</small>
Exhibitions	12,761,239	3,626,432	4,983,613	21,371,284
Schools	1,414,805	833,100	26,569	2,274,474
Collections	1,711,198	931,111	16,557	2,658,866
Intellectual property expenditure	13,333	-	-	13,333
Education	1,637,921	980,117	503,786	3,121,824
Total	17,538,496	6,370,760	5,530,525	29,439,781

Exhibitions expenditure includes the direct costs of mounting all loan exhibitions and the Summer Exhibition and all associated costs, such as curatorial staff, art handling, security, press and box office.

i. Publicity costs comprise direct publicity costs and an allocation of support costs analysed as follows:

	2020 £	2019 £ <small>as restated</small>
Direct publicity costs	3,261,136	3,374,267
Support costs (note 8)	2,025,308	2,156,258
Total	5,286,444	5,530,525

11 Net income / (expenditure)

	2020 £	2019 £
This is stated after charging:		
Amortisation	578,326	443,927
Depreciation	3,547,060	3,560,994
Auditors' remuneration:		
External auditors		
Audit services - group undertakings	50,340	51,256
Audit services - defined benefit pension scheme	8,775	8,250
Other services	22,534	19,502
Interest payable and similar charges	500,734	618,889

External auditors other services relate to tax compliance and other advice.

The total lease expenditure incurred in the year was £88,142 (2019: £168,355).

12 Role of volunteers

Like all charities, the Royal Academy, uses a team of volunteers. In 2020 the Royal Academy engaged 162 (2019: 162) volunteers across both its Learning and Collections departments.

In accordance with the SORP, due to the absence of any reliable measurement basis, the contribution of these volunteers is not recognised in the financial statements.

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Notes to the Financial Statements
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13 Officers' and Council members' remuneration

	2020	2019
	£	£
Officers' remuneration, excluding pension contributions, is as follows:		
President	66,308	70,000
Keeper	27,226	50,000
Secretary and Chief Executive	186,951	180,060
Treasurer	38,000	40,000
	<hr/>	<hr/>
Total	318,485	340,060
	<hr/>	<hr/>

Remuneration for officers is set by the Remuneration Committee.

One officer (2019: one) received pension contributions totalling £18,695 (2019: £17,270).

Council members are only reimbursed for expenses incurred in the performance of their duties, except for those individuals who are remunerated for their duties as officers. Two (2019: three) trustees received reimbursed expenditure of:

	2020	2019
	£	£
Travel	1,188	3,566
Other	82	802
	<hr/>	<hr/>
Total	1,270	4,368
	<hr/>	<hr/>

Trustee indemnity insurance costs for the year totalled £21,213 (2019: £21,213).

14 Staff costs

	2020	2019
	£	£
Salaries and wages	13,839,584	13,800,448
Social security costs	1,291,619	1,295,260
Redundancy and termination payments	108,656	144,771
Pension contributions - defined contribution schemes	949,037	949,844
Pension service income - defined benefit scheme	(106,000)	(168,000)
	<hr/>	<hr/>
Total	16,082,896	16,022,323
	<hr/>	<hr/>

Staff costs include payroll for temporary as well as permanent staff.

As disclosed in note 6, grant income of £2,300,268 was claimed in respect of the Coronavirus Job Retention Scheme from its introduction in March 2020, which was used to retain both permanent and temporary staff during the year, with full-time equivalent employees broadly unchanged compared to last year. For the three month period of June to August 2020, all staff took a 20% reduction in working time and salary. Partly due to the impact of this, salaries and wages have only slightly increased in the year despite the annual pay increase.

Redundancy and termination payments made in the year relate to voluntary redundancies in exchange for these benefits (2019: same).

The key management personnel of the Royal Academy, and Group, comprise the Senior Leadership Team (previously Executive Committee), trustees and officers. Total remuneration of key management personnel during the year was £1,175,733 (2019: £1,479,020). Pension contributions were £104,717 (2019: £93,698).

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Notes to the Financial Statements
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14 Staff costs (continued)

The number of employees, including officers, whose remuneration exceeded £60,000, is shown below:

Band:	2020	2019
	No.	No.
£60,000 to £69,999	5	10
£70,000 to £79,999	5	3
£80,000 to £89,999	2	3
£100,000 to £109,999	-	1
£110,000 to £119,999	1	-
£120,000 to £129,999	1	1
£130,000 to £139,999	1	2
£140,000 to £149,999	-	1
£180,000 to £189,999	1	1
£210,000 to £219,999	1	-

Pension contributions for the above employees were £159,430 (2019: £158,774).

The average number of permanent employees and full-time equivalent ("FTE") permanent employees, including officers, during the year was:

	Headcount		FTE	
	2020	2019	2020	2019
	No.	No.	No.	No.
Charitable activities	129	130	115	116
Fundraising and publicity	84	88	80	84
Trading activities	51	55	45	49
Governance	4	4	4	3
Support	103	94	101	92
Total	371	371	345	344

The number of part-time staff employed by the Royal Academy varies throughout the year, depending on the exhibition programme.

15 Taxation

The Royal Academy is entitled to a tax credit under the Museums and Galleries Tax Relief scheme from 1 April 2017.

	2020	2019
	£	£
Taxation credit		
- For the current year	255,223	426,671
- Adjustment in respect of prior year	108,270	7,880
Total	363,493	434,551

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16 Heritage assets

The Royal Academy holds assets that fall under the definition of "Heritage Assets". These fall into three broad collections: The Works of Art Collection, The Royal Academy Library and The Royal Academy Archive. Each of these is considered in turn.

All items in these collections are available to view by appointment. Items are also from time to time included in exhibitions at the Royal Academy, as well as being loaned out to other exhibitors.

The Works of Art Collection

The Works of Art Collection consists of works of art and other objects of historic, artistic or associational significance owned by the Royal Academy, namely: paintings, sculpture (including medals, dies, cameos, and intaglio gems); drawings; artists' sketchbooks; individually issued prints; photographs; plaster casts (including pastes of gems); historic skeletons relating to teaching in the Schools; objects of memorabilia, including artists' tools and materials; historic silver and silver-plate; historic items of furniture; picture frames; and certain fittings and fixtures within Burlington House. The Royal Academy holds around 990 paintings in its permanent collection and over 25,000 prints and drawings.

The majority of works and objects in the collections date from the foundation of the Royal Academy in 1768 to the present day. Exceptions include the *Taddei Tondo*, the only marble by Michelangelo in the UK; early copies after the Old Masters, such as those by Giampietrino, Rosso Fiorentino and Sir James Thornhill; as well as some prints and drawings.

The core of The Works of Art Collection is the Diploma Works. These are given by Academicians on election to the institution and are predominantly by British artists and architects. Other works of art were purchased, bequeathed or given to the Royal Academy and range from drawings to plaster casts and from photographs to paintings. There is also a collection of silver given to the Royal Academy by Academicians, which is of historical importance to the Royal Academy.

The Royal Academy Library (Special Books Collection)

The Library comprises the Historic Books Collection dating from the 16th century to approximately 1920, and the Special Illustrated Books Collection.

The Royal Academy Archive

The Archive holds papers and documents and copies of electronic correspondence relating to the institution's history as well as artists' letters and archives. The Archive also includes photographic prints, transparencies, glass slides and negatives, films and videotapes which relate to the history and activities of the institution. More information about the Royal Academy's collection is available at www.racollection.org.uk.

Capitalisation of the collections

In the opinion of the trustees, reliable information on cost or value is not available for the Royal Academy permanent collection. This is owing to the lack of reliable information on purchase cost; the lack of comparable market values; the diverse nature of the objects; and the volume of items held.

The collections have a significant intrinsic value relating to the way they provide a unique insight into the history of art and the study of art over the past 250 years. The manner in which items are given by Academicians makes valuation of these items difficult as there is no original cost to the item. In addition there is an intrinsic value to the collections as an embodiment of the history of the Royal Academy as an institution, which would also be far too subjective and unique to place any reliable value upon. For this reason, the permanent collection, large proportions of which were gifted to the Royal Academy at nil cost, are incomparable in nature and are not recognised as assets in the Royal Academy's balance sheet.

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Notes to the Financial Statements
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16 Heritage assets (continued)

Acquisitions and disposals

Diploma Works are proposed by newly elected members and accessioned into the collection following approval by Council. The approval of non-diploma works (by purchase, bequest or donation) is by the Director of Learning and Collections, in consultation with the relevant curator. If the acquisition is more than £5,000 in value, a case for accessioning must be made by the Director of Learning and Collections to the Collections and Library Committee. All acquisitions are reported annually to the Collections and Library Committee by the Director of Learning and Collections. The list is subsequently submitted to Council as part of an annual report and the Director of Learning and Collections attends Council to discuss any matters arising from the report.

Disposals will only take place in accordance with the Acquisitions and Disposals Policy. No disposals were made in the year. Objects will only be deaccessioned by way of exchange (in the case of Diploma Works) or if there is irreparable damage to or total loss of an object. Due to the accreditation by the Arts Council, and the Royal Academy's internal procedures and policies (described under "Collections management", below), disposals can only be for "financially motivated" reasons in exceptional circumstances. Any such disposal must be as part of a wider review of the Collection, and then proceeds must be used only for the benefit of the Collection.

In the financial year, Diploma Works were presented by Academicians John Akomfrah CBE RA, Gillian Wearing RA and Tony Cragg RA.

Gifts made to the Royal Academy in the current financial year include a bronze by Tony Cragg RA, valued at £250,000. This has been recognised in the balance sheet and will be reviewed annually for impairment. Valuations are made at fair value based on the value provided by the artist or their gallery.

The Acquisitions and Disposals Policy is available for review on the Royal Academy's website www.royalacademy.org.uk.

Preservation

The Royal Academy is committed to the preservation of its collections. It aims to ensure the longest possible life of the collections. This includes security, financial, environmental, storage and staffing that all help to preserve the collections for posterity.

Works of art are ordinarily stored and displayed in conditioned spaces. Some sculpture is stored in spaces without environmental controls; however these have proven to be naturally stable environments. The Royal Academy complies as closely as it is able with BS 5454:2000 "Recommendations for the Storage and Exhibition of Archival Documents 7.3" for the storage of its archives. Some items are held off-site in specialist warehouses.

For the works of art, most conservators employed by the Royal Academy are on the ICON Conservation Register. For other areas of the collections, a variety of conservation experts are consulted.

Collections management

The Works of Art Collection, Special Books Collection and Archive are catalogued in a series of discrete but interconnected databases, each fully conforming to their relevant professional standards, i.e. Spectrum for museum objects; AACR2 and MARC21 for books; and ISAD(G) for archives. The three databases are linked to a series of shared authority files and thesauri against which terms such as personal names, corporate names, materials and techniques, and production roles must be validated. This ensures consistency in data entry and in data searches.

The Collection, Library and Archive are designated as collections of national importance as awarded by the Arts Council in 2011. In order to meet the stringent requirements for this award, an extensive list of procedures and policies for the management of the collection, informed by nationally and internationally recognised standards, were approved by Council. These documents can be consulted in the Collections' Office.

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16 Heritage assets (continued)

Analysis of heritage assets (Group and Royal Academy)

	Works of art				
	2020 £	2019 £	2018 £	2017 £	2016 £
Carrying amount at 1 September	1,142,110	679,000	391,000	46,000	-
Purchases	-	14,360	-	10,000	-
Gifts	250,000	448,750	288,000	335,000	46,000
Carrying amount at 31 August	1,392,110	1,142,110	679,000	391,000	46,000

17 Intangible fixed assets

Intangible assets include the Royal Academy's website and intranet costs, core system software and R.A. Enterprises Limited's Epos, e-commerce and stock management software. Additions during the year of £251,188 primarily relate to the ongoing costs of the Royal Academy's system for selling and servicing tickets, membership and donations.

a. Group	Software £
Cost	
At 31 August 2019	2,221,383
Additions	<u>251,188</u>
At 31 August 2020	<u>2,472,571</u>
Amortisation	
At 31 August 2019	1,263,480
Charge for the year	<u>578,326</u>
At 31 August 2020	<u>1,841,806</u>
Net book value	
At 31 August 2020	<u>630,765</u>
At 31 August 2019	<u>957,903</u>
b. Royal Academy	Software £
Cost	
At 31 August 2019	1,649,194
Additions	<u>199,649</u>
At 31 August 2020	<u>1,848,843</u>
Amortisation	
At 31 August 2019	994,852
Charge for the year	<u>373,772</u>
At 31 August 2020	<u>1,368,624</u>
Net book value	
At 31 August 2020	<u>480,219</u>
At 31 August 2019	<u>654,342</u>

The Royal Academy of Arts
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18 Tangible fixed assets

a. Group	Building improvements	Assets in course of construction	Motor vehicles	Fixtures, fittings and equipment	Total
	£	£	£	£	£
Cost					
At 31 August 2019	22,916,426	1,950,606	58,629	25,554,259	50,479,920
Additions	435,510	663,861	-	410,314	1,509,685
Reclassifications	27,616	(27,616)	-	-	-
Transfers to 6 Burlington Gardens	-	(326,282)	-	-	(326,282)
Disposals	-	-	-	(1,578,029)	(1,578,029)
At 31 August 2020	23,379,552	2,260,569	58,629	24,386,544	50,085,294
Depreciation					
At 31 August 2019	5,772,695	-	46,581	10,998,799	16,818,075
Disposals	-	-	-	(1,578,029)	(1,578,029)
Charge for the year	1,224,983	-	7,229	2,314,848	3,547,060
At 31 August 2020	6,997,678	-	53,810	11,735,618	18,787,106
Net book value					
At 31 August 2020	16,381,874	2,260,569	4,819	12,650,926	31,298,188
At 31 August 2019	17,143,731	1,950,606	12,048	14,555,460	33,661,845
b. Royal Academy					
	Building improvements	Assets in course of construction	Motor vehicles	Fixtures, fittings and equipment	Total
	£	£	£	£	£
Cost					
At 31 August 2019	22,654,011	1,938,476	36,944	25,129,072	49,758,503
Additions	435,523	663,861	-	404,912	1,504,296
Reclassifications	27,616	(27,616)	-	-	-
Transfers to 6 Burlington Gardens	-	(326,282)	-	-	(326,282)
Disposals	-	-	-	(1,578,029)	(1,578,029)
At 31 August 2020	23,117,150	2,248,439	36,944	23,955,955	49,358,488
Depreciation					
At 31 August 2019	5,510,291	-	36,944	10,580,074	16,127,309
Disposals	-	-	-	(1,578,029)	(1,578,029)
Charge for the year	1,224,985	-	-	2,311,228	3,536,213
At 31 August 2020	6,735,276	-	36,944	11,313,273	18,085,493
Net book value					
At 31 August 2020	16,381,874	2,248,439	-	12,642,682	31,272,995
At 31 August 2019	17,143,720	1,938,476	-	14,548,998	33,631,194

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c. 6 Burlington Gardens (Freehold property)

Group and Royal Academy	6 Burlington Gardens
	£
Cost	
At 31 August 2019	64,774,708
Additions	55,844
Transfers from assets in course of construction	326,282
	<hr/>
At 31 August 2020	65,156,834

In the opinion of the trustees, based on a valuation as at 31 August 2018 by an independent third party, the current open market value of the Royal Academy's interest in 6 Burlington Gardens exceeds the book value by approximately £9.8m. The Royal Academy would have no liability to taxation if the asset was sold at open market value on the basis that the proceeds were used to further the company's charitable activities.

19 Investments	Group		Royal Academy	
	2020	2019	2020	2019
	£	£	£	£
Investments at market value	806,305	-	806,305	-
Investments in subsidiaries at cost	-	-	108	108
	<hr/>		<hr/>	
Total	806,305	-	806,413	108

The Royal Academy beneficially owns all of the called up share capital of RA (Arts) Limited (02836364), R.A. Enterprises Limited (01666333) and Burlington House Limited (02216104), each of which is registered in England and Wales. See note 6 for the financial results of these entities during the year.

Movement in market value of investments:	2020
	£
Additions	775,000
Unrealised gains	31,305
	<hr/>
Market value of investments at 31 August	806,305

Market value of investments by type:	2020
	£
Fixed income	118,407
Equities	556,574
Property	14,113
Alternative investments	78,420
Liquid assets	38,791
	<hr/>
Total market value of investments (historic cost of investments £775,000)	806,305

Investments are held under management with Sarasin & Partners LLP and are invested in the Sarasin Climate Active Endowments Fund. The Fund seeks to provide growth (through increases in investment value and income) of 4% per year more than the Consumer Price Index over a rolling five year period. It has a global multi-asset portfolio with an integrated socially responsible investment policy that also favours investments that may benefit from a move to a lower carbon economy.

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20 Debtors

	Group		Royal Academy	
	2020	2019	2020	2019
	£	£	£	£
Trade debtors	786,874	1,432,251	338,739	825,271
Royal Academy related entities	-	-	1,679,294	1,183,738
The Friends of the Royal Academy	41,343	-	41,343	-
Royal Academy Trust	265,987	-	391,915	-
Taxation	504,207	881,299	490,097	881,299
Staff loans	25,400	41,827	25,400	41,827
Sundry debtors	1,101,831	631,864	785,059	440,617
Prepayments and accrued income	1,082,286	1,021,871	971,533	906,747
Total	3,807,928	4,009,112	4,723,380	4,279,499

21 Creditors - amounts falling due within one year

	Group		Royal Academy	
	2020	2019	2020	2019
	£	£	£	£
Bank loan	219,600	219,600	219,600	219,600
Revolving credit facilities	3,700,000	4,000,000	3,700,000	4,000,000
Trade creditors	691,437	1,526,027	547,279	1,188,048
Royal Academy related entities	-	-	296,116	159,601
The Friends of the Royal Academy	-	109,097	-	109,097
Royal Academy Trust	-	274,556	-	45,735
Taxation and social security	360,781	629,149	336,413	357,658
Sundry creditors	1,672,613	1,935,242	1,705,140	1,936,176
Accruals	1,872,390	2,912,219	1,766,712	2,730,599
Deferred income (i)	2,071,354	1,659,698	1,558,493	1,386,325
Total	10,588,175	13,265,588	10,129,753	12,132,839

A Masterplan Revolving Credit Facility of £5.0m was taken out in May 2017 to manage working capital requirements in relation to the Burlington Project. The facility which is available for a period of five years and which has been extended to June 2023, can be drawn down in advances with a minimum value of £0.5m. Each advance is repayable after three months; at the end of the three month period the advance can either be rolled over for another three month period or repaid. As at 31 August 2020 this facility was drawn down by £3.7m (2019: £4.0m). An extension of £3.5m of this £5.0m facility from June 2023 to August 2024 has been approved, with the facility agreement due to be signed later in 2020.

An Operating Revolving Credit Facility of £2.5m was taken out in March 2018 to manage operating working capital requirements. This facility is also available for a period of five years and can be drawn down in advances with a minimum value of £0.15m. Similarly, each advance is repayable after three months; at the end of the three month period the advance can either be rolled over for another three month period or repaid. As at 31 August 2020, this facility had not been drawn down. An extension of £1.5m of this £2.5m facility from March 2023 to August 2024 has been approved, with the facility agreement due to be signed later in 2020.

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Notes to the Financial Statements
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21 Creditors - amounts falling due within one year (continued)

- i. Deferred income in 2020 includes ticket sales and sponsorship income for exhibitions in the next financial year, including Summer Exhibition 2020, Francis Bacon and Tracey Emin / Edvard Munch and is analysed as follows:

	Brought forward £	Amount added £	Amount released £	Carried forward £
Deferred income 2020	1,659,698	2,055,555	(1,643,899)	2,071,354
Deferred income 2019	2,694,768	1,711,445	(2,746,515)	1,659,698

22 Creditors - amounts falling due after more than one year

	Group		Royal Academy	
	2020	2019	2020	2019
	£	£	£	£
Sundry creditors	-	1,333,334	-	1,333,334
Bank loan	821,923	1,041,523	821,923	1,041,523
Unsecured loan	10,000,000	10,000,000	10,000,000	10,000,000
Total	10,821,923	12,374,857	10,821,923	12,374,857

Creditors include amounts not wholly repayable within 5 years as follows:

Unsecured loan	10,000,000	10,000,000	10,000,000	10,000,000
Bank loan repayable by instalments	-	163,123	-	163,123
Total	10,000,000	10,163,123	10,000,000	10,163,123

The bank loan was taken out in 2009 and is repayable in instalments by 2025. Interest of £20,657 (2019: £27,820) was charged in the year.

In December 2014, the Royal Academy entered into an unsecured £10.0m loan facility agreement. This amount was advanced in December 2014 and is repayable in ten instalments of £1.0m each from 2035 until 2044, and has a fixed rate of interest of 4.21% p.a.. This facility was used to fund exceptional operating costs during the Burlington Project construction phase and the plant upgrade/renewal programme for conditioning the Burlington House galleries. Interest of £421,000 (2019: £421,000) was charged in the year. The Royal Academy remains compliant with its various loan covenants.

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Notes to the Financial Statements
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23 Analysis of net assets by fund

	Endowment funds £	Restricted		Designated funds £	Unrestricted		Total £
		Burlington Project £	Other funds £		General funds £	Pension reserve £	
a. Group							
Investments	806,305	-	-	-	-	-	806,305
Heritage assets	-	-	1,392,110	-	-	-	1,392,110
Intangible assets	-	-	-	-	630,765	-	630,765
Tangible assets	-	1,694,584	-	-	94,760,438	-	96,455,022
Current assets	-	5,254,225	2,483,231	701,170	4,426,725	-	12,865,351
Current liabilities	-	(68,703)	-	-	(10,519,472)	-	(10,588,175)
Long term liabilities	-	-	-	-	(10,821,923)	-	(10,821,923)
Pension asset	-	-	-	-	-	6,712,000	6,712,000
Total	806,305	6,880,106	3,875,341	701,170	78,476,533	6,712,000	97,451,455
b. Royal Academy							
Investments	806,305	-	-	-	108	-	806,413
Heritage assets	-	-	1,392,110	-	-	-	1,392,110
Intangible assets	-	-	-	-	480,219	-	480,219
Tangible assets	-	1,694,584	-	-	94,735,245	-	96,429,829
Current assets	-	5,254,225	2,483,231	701,170	4,143,934	-	12,582,560
Current liabilities	-	(68,703)	-	-	(10,061,050)	-	(10,129,753)
Long term liabilities	-	-	-	-	(10,821,923)	-	(10,821,923)
Pension asset	-	-	-	-	-	6,712,000	6,712,000
Total	806,305	6,880,106	3,875,341	701,170	78,476,533	6,712,000	97,451,455

24 Analysis of endowment funds

Group and Royal Academy

		Opening funds £	Gift of endowment £	Investment returns £	Re-classification £	Closing funds £
Dunard Scholarship:	a.					-
- Trust for investment		-	625,000	-	-	625,000
- Unapplied total return		-	-	25,246	-	25,246
Exhibitions fund:	b.					
- Trust for investment		-	-	-	150,000	150,000
- Unapplied total return		-	-	6,059	-	6,059
Total		-	625,000	31,305	150,000	806,305

a. Dunard Scholarship: the fund was established in 2020 by a donation of £625,000 from the Dunard Fund, it is held as a permanent endowment and is being accounted for on a total return basis. The purpose of the fund is to endow a student scholarship at the Royal Academy Schools in perpetuity.

b. Exhibitions fund: the fund was established in 2019 by a donation of £150,000 from the Thompson Family Charitable Trust, and reclassified as permanent endowment in 2020, and is being accounted for on a total return basis. The purpose of the fund is to support ongoing exhibition costs from investment returns.

The Royal Academy of Arts
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25 Analysis of restricted funds

Group and Royal Academy		Opening funds £	Income £	Expenditure £	Transfers £	Closing funds £
Other funds	a.	311,612	2,060,463	(1,883,895)	27,160	515,340
7 Pembroke Studios	b.	-	2,159,884	(191,993)	-	1,967,891
Heritage assets		1,142,110	250,000	-	-	1,392,110
Burlington Project	c.	4,296,354	5,556,818	-	(2,973,066)	6,880,106
Total		5,750,076	10,027,165	(2,075,888)	(2,945,906)	10,755,447

- a. Other funds include donations of £878,462 (2019: £837,456) received from the Royal Academy Trust, other donations of £1,092,954 (2019: £2,450,608) and grants of £89,047 (2019: £812,299) received for specific and general activities as disclosed in notes 5 and 6 respectively. The closing balance relates to the following restricted funds:

The Royal Academy architecture awards £229,142 (2019: £233,579): established in 2018 from a donation of £60,000; a further donation of £255,000 was received in 2019. The awards take place annually for five years and the monies are being used towards the management and running costs of the Royal Academy architecture awards, including architecture awards week where the winner of the Royal Academy Architecture Prize and the finalists for the Royal Academy Dorfman Award come to London from around the world to partake in a week of events and activities and receive their prizes. £10,000 of the money is given to the winner of the Royal Academy Dorfman Award each year.

Young Artists' Summer Show £74,821 (2019: £29,582): established in 2018 from a donation of \$67,620 (£51,516), with further donations of £90,187 in 2019 and £97,390 in 2020. Inspired by the Summer Exhibition, the Young Artists' Summer Show brings together work by primary and secondary-level students from across the UK and beyond in an annual exhibition.

Artist in residence exchange programme £18,353 (2019: £18,803): established in 2018 with a donation of £80,000; a further £27,494 was received in 2019. The funds are being used towards the costs of an artist exchange programme between students of the Royal Academy Schools and the K11 Art Foundation ("KAF") in China.

Swanston bequest £24,564 (2019: £24,564): established in 2014 from a legacy of £60,000. The bequest is being used for curating and publishing costs associated with the *Taddei Tondo*.

Cataloguing project £5,084 (2019: £5,084): established through donations from trusts, foundations and private individuals. The purpose of the project is to catalogue the Royal Academy's collection, including conservation and the creation of a collections website, and the creation and publication of a volume on the history of the Royal Academy and its collection, which was published in 2018.

Architecture professorship £110,659 (2019: £150,000): established in 2019 from two donations totalling £150,000. The donations will be spent on funding the position of the Professor of Architectural History for four years from 1 September 2019 to 31 August 2023.

Collections conservation project £40,083 (2019: £39,153): established in 2019 from donations totalling £31,551, with a further donation of £12,500 in 2020. The funds are being used for the conservation, digitisation and publication of elements of the Royal Academy archives.

Seelig bequest £12,634 (2019: £nil): established in 2020 from a legacy of £12,634. The fund is being used to support access to artists materials for students of the Royal Academy Schools.

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25 Analysis of restricted funds (continued)

- b. 7 Pembroke Studios:** the fund was established in 2020 from a donation of £2,159,884 (\$2,790,720), of which £1,650,000 is to be used for the purchase of 7 Pembroke Studios, an artist's studio in London, with the balance of the fund to be used for the legal and professional fees associated with the purchase and repairs and maintenance of the property for a period of up to 25 years. It was the donor's wish that an artist, who has been using the studios since 2012, should be able to continue to have exclusive, rent free use of the studios for as long as she is actively and regularly using the studios for up to a maximum of 25 years. At the end of said period, the Royal Academy will have full and free use of the studios and have the right to sell the studios and apply the proceeds of the sale towards its general charitable purposes. A total of £191,993 was used in the year being a 10% deposit of £165,000 on exchange of contracts in August 2020, together with legal and professional fees of £26,993, and is included in prepayments (note 20). The purchase of the studios was completed in September 2020.
- c. Burlington Project - Phase I** was completed in 2018, with all Burlington Project - Phase I restricted and designated funds being transferred to unrestricted funds as specific identifiable assets were brought into service and as such, the restrictions on these funds have been satisfied. The remaining restricted funds are in respect of Phases II and III and other projects, which form part of the overall Burlington Project (see note 30).

26 Analysis of designated funds

Group and Royal Academy	Opening funds £	Income £	Expenditure £	Transfers £	Closing funds £
Total designated	387,870	2,169,567	(1,908,726)	52,459	701,170

Council have designated the funds detailed below out of unrestricted funds:

Schools architect fund £82,725 (2019: £88,039): the fund was established in 2018 from a legacy of £88,039 in support of the study and research in art and architecture to the Royal Academy Schools. It is anticipated that this will be spent over a period of five years.

Schools annual travel prize £16,000 (2019: £16,000): a legacy of £20,000 was received in 2018 and designated as an annual travel prize of £2,000 for students of the Royal Academy Schools. The first prize was awarded in 2018, with a further award in 2019. It is anticipated this will be spent over a period of 10 years.

Student support fund £55,636 (2019: £nil): due to the impact of Covid-19, donations totalling £55,636 received in 2020 have been designated towards a support fund for students of the Royal Academy Schools. It is anticipated these funds will be drawn down during 2021.

Future Academy £546,809 (2019: £283,831): unrestricted donations and legacies received in 2019 and 2020 have been designated by Council for expenditure on the Royal Academy Schools (£36,293), the Collection (£14,974), education (£500) and the Presidents Fund (£495,042), which is held for the general purposes of the Royal Academy.

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Notes to the Financial Statements
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27 Administered funds

The Royal Academy has six funds which have not been consolidated within the financial statements of the Royal Academy, on the basis that while the Royal Academy is administering the funds, it is not the ultimate beneficiary. However, as the funds are administered by the Royal Academy, these have been disclosed separately below for information.

These funds consist of the following:

Frampton Fund

Agnes Ethel MacKay Fund

Jack Goldhill Sculpture Fund

Charles Wollaston Award Fund

Pitchforth Scholarship Fund

Sir John Reeves Ellerman Fund

	2020	2019
	£	£
Income from investments	46,081	24,080
Expenditure	(155,232)	(87,801)
Net gains / (losses) on investments	<u>249,703</u>	<u>(4,557)</u>
Net income / (expenditure)	140,552	(68,278)
Total funds brought forward	<u>4,041,996</u>	<u>4,110,274</u>
Total funds carried forward	<u>4,182,548</u>	<u>4,041,996</u>
Represented by:		
Investments	3,740,510	3,717,676
Cash at bank	105,181	83,874
Debtors	351,232	289,023
Creditors	<u>(14,375)</u>	<u>(48,577)</u>
Total funds	<u>4,182,548</u>	<u>4,041,996</u>

28 Reconciliation of net income to net cash inflow from operating activities

	2020	2019
	£	£
Net income	7,571,740	2,964,715
Heritage assets gifts	(250,000)	(448,750)
Amortisation of intangible assets	578,326	443,927
Depreciation of tangible assets	3,547,060	3,560,994
Current pension service income	(106,000)	(168,000)
Pension contributions paid	(177,000)	(525,000)
(Increase) / decrease in stock	(66,316)	310,168
Decrease in debtors	573,892	1,214,271
Decrease in creditors	(4,310,747)	(1,824,352)
Interest paid	500,734	618,889
Interest received	(18,006)	(21,151)
Net gains on fixed asset investments	<u>(31,305)</u>	<u>-</u>
Net cash provided by operating activities	<u>7,812,378</u>	<u>6,125,711</u>

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Notes to the Financial Statements
For the year ended 31 August 2020

29 Pension costs

The Royal Academy, together with its subsidiary undertakings, participates in a funded defined benefit pension scheme, operated by the Royal Academy of Arts Pension Scheme (the "Scheme"), providing benefit based on final pensionable salary. The assets of the Scheme are held independently from those of the Royal Academy.

The Scheme provides pensions in retirement and death benefits to members. Pension benefits are linked to the members' final salary at retirement and their length of service up to the date on which the Scheme closed to future accrual, being 30 September 2016.

The Scheme is a registered scheme under UK legislation and was not contracted out of the State Sector Pension prior to the cessation of contracting out from 6 April 2016.

The Scheme is subject to the scheme funding requirements outlined in UK legislation.

The Scheme was established from 3 January 1985 under trust and is governed by the Scheme's definitive trust deed and rules dated 31 March 1998. The trustees are responsible for the operation and the governance of the Scheme, including making decisions regarding the Scheme's funding and investment strategy.

A full actuarial valuation of the Scheme was carried out as at 31 August 2019 and has been updated to 31 August 2020 by a qualified independent actuary. The next full actuarial valuation of the Scheme will be as at 31 August 2022.

The value of the liabilities at the reporting date have been estimated by updating the results of the actuarial valuation as at 31 August 2019 to allow for the passage of time, actual inflation experience, benefits paid out of the Scheme and changes in actuarial assumptions over the period from 31 August 2019 to 31 August 2020.

Since June 2006 the Scheme has been closed to new members and closed to future accrual on 30 September 2016.

The major assumptions used by the actuary were (in nominal terms) as follows:	2020	2019
Discount rate	1.5%	1.8%
Inflation assumption (RPI)	2.9%	3.2%
Inflation assumption (CPI)	2.0%	2.2%
Rate of increase in salaries	2.9%	3.2%
Pension increases for service accrued:		
Pre 6 April 1997	2.3%	2.4%
6 April 1997 to 30 September 2006	2.8%	3.1%
Post 30 September 2006	2.0%	2.1%
Assumed life expectancies on retirement at age 60 are:		
Retiring in 2020 - Males	26.8	27.4
Retiring in 2020 - Females	29.3	29.4
Retiring in 2040 - Males	28.3	28.9
Retiring in 2040 - Females	30.8	30.9

The assumptions used in determining the overall expected return of the Scheme's assets have been set with reference to yields available on government bonds and appropriate risk margins.

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Notes to the Financial Statements
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29 Pension costs (continued)

The assets in the Scheme were:	2020	2019
	£	£
Equities or equivalent	12,528,000	29,942,000
Corporate bonds	27,864,000	6,115,000
Cash	1,995,000	3,464,000
LDI funds	9,393,000	11,281,000
	<hr/>	<hr/>
Fair value of Scheme assets	51,780,000	50,802,000
Present value of funded obligations	(45,068,000)	(45,004,000)
	<hr/>	<hr/>
Surplus in funded Scheme	6,712,000	5,798,000
	<hr/>	<hr/>
Net asset in balance sheet	6,712,000	5,798,000
	<hr/>	<hr/>
Reconciliation of opening and closing balances of the present value of the defined benefit obligation:	2020	2019
	£	£
Benefit obligation at beginning of year	45,004,000	37,112,000
Interest cost	804,000	991,000
Actuarial (gains) / losses	(84,000)	7,694,000
Benefits paid	(656,000)	(793,000)
	<hr/>	<hr/>
Benefit obligation at end of year	45,068,000	45,004,000
	<hr/>	<hr/>
Reconciliation of opening and closing balances of the fair value of Scheme assets:	2020	2019
	£	£
Fair value of Scheme assets at beginning of year	50,802,000	43,060,000
Interest income on Scheme assets	910,000	1,159,000
Return on assets, excluding interest income	547,000	6,851,000
Contributions by employer	177,000	525,000
Benefits paid	(656,000)	(793,000)
	<hr/>	<hr/>
Fair value of Scheme assets at end of year	51,780,000	50,802,000
	<hr/>	<hr/>
The amounts recognised in the SOFA:	2020	2019
	£	£
Net interest on the defined benefit pension scheme asset	(106,000)	(168,000)
	<hr/>	<hr/>
Total income	(106,000)	(168,000)
	<hr/>	<hr/>
Remeasurement of the defined benefit pension scheme asset:	2020	2019
	£	£
Actuarial (gains) / losses on the liabilities	(84,000)	7,694,000
Return on assets, excluding interest income	(547,000)	(6,851,000)
	<hr/>	<hr/>
Total remeasurement of the defined benefit pension scheme asset	(631,000)	843,000
	<hr/>	<hr/>

The Royal Academy of Arts
Notes to the Financial Statements
For the year ended 31 August 2020

30 Authorised and contracted capital expenditure

a. Group

	Total project cost £	Assets in service £	Assets in course of construction £	Contracted for £	Unauthorised £
Minor projects	2,409,578	2,138,963	270,615	-	-
Burlington Project - Phase II	17,000,000	-	1,208,386	-	15,791,614
Burlington Project - Phase III	5,000,000	-	486,198	-	4,513,802
Other Burlington Projects:					
Façade and entrance hall	2,000,000	-	19,767	-	1,980,233
Sackler lift	562,980	-	275,603	287,377	-
Total	26,972,558	2,138,963	2,260,569	287,377	22,285,649

b. Royal Academy

	Total project cost £	Assets in service £	Assets in course of construction £	Contracted for £	Unauthorised £
Minor projects	2,397,448	2,138,963	258,485	-	-
Burlington Project - Phase II	17,000,000	-	1,208,386	-	15,791,614
Burlington Project - Phase III	5,000,000	-	486,198	-	4,513,802
Other Burlington Projects:					
Façade and entrance hall	2,000,000	-	19,767	-	1,980,233
Sackler lift	562,980	-	275,603	287,377	-
Total	26,960,428	2,138,963	2,248,439	287,377	22,285,649

Burlington Project - Phase II, which is the redevelopment of the Royal Academy Schools, is currently going into the final stages of design. A £17.0m budget was approved by Council in July 2020 but further expenditure has not been authorised pending further design work and capital fundraising.

Burlington Project - Phase III, which is the redevelopment of the Collection Gallery, is currently at an early design stage. Total costs are estimated at £5.0m and this has been fully fundraised for and is held in the Royal Academy Trust until required by the Royal Academy. £0.5m was donated by the Royal Academy Trust in 2018, with a further £0.5m in 2019 in respect of costs incurred to date with the balance being held in cash at bank. The remaining £4.0m is being held and invested by the Royal Academy Trust until required by the Royal Academy.

The façade and entrance hall project is in respect of the restoration and refurbishment of elements of the Burlington House entrance hall including the stairs and the cleaning of the Burlington House façade. This project is at a preliminary design stage but £2.0m has been fundraised towards the cost of this and is included in cash at bank less project costs incurred to date.

The Sackler lift project is for a major modernisation of the lift, including the replacement of all electrical components, the hydraulic cylinder and door gear, and the refurbishment of the lift cart. The project is being funded by a donor, who wishes to remain anonymous, who has pledged £0.5m of which £0.25m has been received to 31 August 2020.

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31 Contingent liabilities

The Royal Academy and its subsidiaries had no contingent liabilities as at 31 August 2020 (2019: none).

32 Financial commitments

a. Group

At 31 August total commitments under operating leases were as follows:

	Land and buildings £	Other £	2020 Total £	Land and buildings £	Other £	2019 Total £
Under one year	19,649	432,618	452,267	40,520	436,132	476,652
Two to five years	-	1,175,822	1,175,822	19,649	1,280,293	1,299,942
Over five years	-	-	-	-	174,247	174,247
Total	19,649	1,608,441	1,628,090	60,169	1,890,671	1,950,840

b. Royal Academy

At 31 August total commitments under operating leases were as follows:

	Land and buildings £	Other £	2020 Total £	Land and buildings £	Other £	2019 Total £
Under one year	19,649	398,568	418,217	40,520	381,934	422,454
Two to five years	-	1,134,907	1,134,907	19,649	1,203,204	1,222,853
Over five years	-	-	-	-	174,247	174,247
Total	19,649	1,533,475	1,553,124	60,169	1,759,384	1,819,553

33 Financial instruments

The financial statements include the following financial instruments at 31 August:

	Group		Royal Academy	
	2020	2019	2020	2019
	£	£	£	£
Financial assets measured at amortised cost	2,080,704	1,948,084	3,121,019	2,333,595
Financial liabilities measured at amortised cost	18,977,963	23,351,598	19,056,770	22,763,713
Financial assets measured at fair value	806,305	-	806,305	-

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34 Related party transactions

Those in positions of authority within the Group, including trustees, Council members and directors, use facilities of the Group on the same terms as other Academicians, Friends, Patrons or external customers. This includes access to exhibitions, purchases from shops, Summer Exhibition, and auctions, and also the use of catering facilities. For the year ended 31 August 2020, all transactions with related parties are considered within the scope of normal transactions.

Income of £940,258 (2019: £763,939) was received from R.A. Enterprises Limited, being a distribution of 100% of their net income for the year. In addition, R.A. Enterprises Limited was recharged salaries of £2,282,250 (2019: £2,271,846) and other expenses of £56,230 (2019: £123,713). At the year end, £1,425,048 (2019: £1,093,380) was owed and included within the Royal Academy's debtors.

Income of £14,617 (2019: £314,184) was received from Burlington House Limited, being a distribution of 100% of their net income for the year. In addition, Burlington House Limited recharged expenses of £8,413 (2019: £2,708). At the year end, £296,116 (2019: £159,601) was outstanding and included within the Royal Academy's creditors.

Income of £1,730,201 (2019: £2,200,672) was received from RA (Arts) Limited, being a distribution of 100% of their net income for the year. In addition, RA (Arts) Limited was recharged salaries of £112,100 (2019: £111,990) and recharged to the Royal Academy expenses of £143,357 (2019: £28,255). At the year end, £254,246 (2019: £90,358) was owed and included within the Royal Academy's debtors.

Income of £11,527,070 (2019: £11,571,381) was received from The Friends of the Royal Academy, being a donation of 100% of their net income for the year. In addition, The Friends of the Royal Academy reimbursed salary and other expenses recharged of £505,845 (2019: £619,874). At the year end, £41,343 (2019: £109,097 creditor) was owed and included within debtors.

In order to optimise cash management efficiency, the sterling current accounts of the Royal Academy, its subsidiary undertakings and The Friends of the Royal Academy are pooled, such that overnight all cleared debit and credit balances on the current accounts of these entities are set off into a single Royal Academy account. The debtor and creditor balances between each of the entities in this pooling group at the year end in part reflects this pooling arrangement.

During the year, the Royal Academy received income of £2,383,462 (2019: £1,937,456) from the Royal Academy Trust with donations of £1,505,000 towards Burlington Project - Phase I (2019: £600,000); £nil towards Burlington Project - Phase III (2019: £500,000); and £878,462 (2019: £837,456) further donations to support various campaigns and projects undertaken. Donations of £16,828 to the Royal Academy Trust (2019: £18,666) relates to unspent funds from the cataloguing project. At the year end, £391,915 (2019: £45,735 creditor) was owed and included within the Royal Academy's debtors.

The trustees donated a total of £9,500 (2019: £5,000) to the Royal Academy during the year. Of these amounts, £9,500 (2019: £nil) was donated towards the Coronavirus Emergency Support Fund and £nil (2019: £5,000) was donated towards the RA Schools.