



**The Royal Society for the encouragement of Arts, Manufactures and
Commerce**

**Trustees' Annual Report and Financial Statements
for the year ended 31 March 2007**

Reference and administrative information

Patron

HM The Queen

President

His Royal Highness The Prince Philip, Duke of Edinburgh KG KT

Trustees

Gerry Acher CBE LVO (Chair)
Sir Paul Judge (Deputy Chair)
Pamela Taylor OBE (Treasurer)
Philip Goldenberg (Treasurer)
Lord Best (Appointed 3 October 2006)
Sean Blair
Naaz Coker
Professor Sir Gordon Conway KCMG (Retired 3 October 2006)
Dr Neil Cross (Retired 3 October 2006)
Ann Packard
Stanley Parker (Retired 3 October 2006)
Vicky Pryce
Susan Steele (Re-elected 3 October 2006)
Andrew Summers CMG
David Young (Appointed 3 October 2006)

Constitution

The RSA is a charity governed by a Royal Charter. It is registered under the Charities Act 1993 – Number 212424
The RSA is also registered in Scotland – Number SC037784

Auditors

haysmacintyre, Fairfax House,
15 Fulwood Place, London WC1V 6AY

Bankers

Coutts & Co
440 The Strand, London WC2R 0QS

Pension Consultants

Foster Denovo Limited
2 Hamm Moor Lane, Weybridge
Surrey KT15 2SA

Executive Team

Matthew Taylor (Chief Executive)
Stephen King (Chief Operating Officer)
Jonathan Carr-West (Acting Head of Programme)
Stephen Farrant (Fellowship and Marketing Director)
Carrie Walsh (Commercial Director)

Principal office

8 John Adam Street, London WC2N 6EZ

Solicitors

Bates, Wells & Braithwaite, Cheapside House, 138
Cheapside, London EC2V 6BB

Bristows, 3 Lincoln's Inn Fields,
London WC2A 3AA

Stone King, 39 Cloth Fair, London EC1A 7JQ

Surveyors and Property Consultants

Mellersh & Harding, 43 St James's Place,
St James's Street, London SW1A 1PA

Investment Managers

Cazenove, 12 Moorgate, London EC2R 6DA

WELCOME & KEY ACHIEVEMENTS

Chief Executive's foreword

06/07 has been a time of great change, unparalleled in the RSA's modern history. We have renewed our vision of the organisation as a powerful force for human progress, applying our strengths to some of the key issues facing society today.

Realising that vision is a huge challenge. It means being willing to question everything we do and making confident changes in the way we work; it means pulling together the various parts of the RSA behind a shared goal; it means the combination of intelligence, commitment and risk-taking necessary for the RSA to deliver on a new and higher ambition, albeit one that echoes the vision of our founding fathers.

Our resources are substantial. Our tradition of political independence and multidisciplinary working sets us apart and fits both the mood and the needs of our time. But it is our Fellowship that provides the key: if we can combine the analytical insights offered by our projects and lectures with the belief, skills and networked power of our Fellows, the RSA can develop a distinct and powerful model for social progress.

Throughout the year, we have been working hard to clarify our aims and develop the programmes we need to meet our aspirations. So the next year will see major developments on all fronts:

Our Programme will be a strong and coherent body of work. Existing projects will be achieving greater impact. For example, we will have brought together a powerful alliance of experts and practitioners to work on a project of school transformation; we will have demonstrated that personal carbon trading can be a practical and effective tool for tackling climate change; and our work on design will be helping policymakers understand the role design can play in meeting future challenges such as population ageing. And the Programme will feature several exciting and ambitious new projects, each of which will offer opportunities for Fellows to engage with and test out ideas.

Our Lecture Programme will increasingly exemplify the RSA's values, analysis and model of change. Our revamped website will not just be bringing these lectures and events to a much wider audience but providing a focus and platform for new ideas and emerging thinkers from around the world.

In the UK and in our other international centres, the Fellowship will be well on the way to becoming a vibrant, innovative network, acting as a 'pro-social' catalyst in local communities, professional groupings and among people with a shared commitment to human progress.

Our House will continue to thrive, providing a physical locus for our work and our Fellowship, with more major RSA events and a growing reputation for excellence in hospitality and events management.

Together these changes will mean the RSA will be widely recognised as an organisation on the move, with clear goals, talented staff, innovative content and – most of all – a unique network of Fellows turning the RSA's values and ideas into real and lasting change for the

good. It is an ambitious goal but I am confident that with the commitment of the RSA's Trustees and staff, and the enthusiasm and talent of our Fellows, we can succeed.

Chairman's statement

I would like to extend a warm welcome to our new chief executive, Matthew Taylor, who joined us in November 2006, bringing with him a new vision and dynamism. His arrival heralds a new era for the RSA and I am very much looking forward to working with him and putting into practice our ambitious plans for the RSA's future.

Over the past year we have made significant strides, building on past achievements and focusing on those areas where we can make the greatest impact.

We continued to build our reputation as an organisation committed to driving progressive change with the high-profile launch of *Drugs – Facing Facts*, a rigorous report by our Commission on Illegal Drugs, Communities and Public Policy in March 2007. The report, which recommended a greater emphasis on harm reduction and a new regulatory framework encompassing legal and prescription drugs alongside illegal ones, has been welcomed by UK policymakers and health practitioners alike. We hope to see its impact demonstrated even more clearly when the government reports on its own ten-year review of drugs policy next year.

As time goes by, the challenges we face in society change. To maintain currency and relevance as a 21st century organisation, we must adapt and respond accordingly. By organising events at shorter notice and introducing our new, rapid-response RSA Thursday lecture series, we have been able to open up debate around issues at the heart of the news agenda - informing our understanding of the issues and enabling us to move the debate forward.

But we are about more than thought leadership. This year, we renewed our focus on demonstrating how we can tackle the major problems faced in society today with real-world solutions. That is why, alongside expert research into the viability of a personal carbon trading future, we launched CarbonDAQ, an online personal carbon trading prototype, and laid the groundwork for CarbonLimited Cities, a series of citizen forums providing opportunities for visitors to simulate trading carbon credits.

Similarly, the RSA Academy represents an important opportunity for us to put into practice our groundbreaking ideas on education and build a centre of excellence for our Opening Minds curriculum. The Academy plans are now well under way: designs have been drawn up for a new building, tailor-made to meet the needs of the curriculum and, with the help of principal designate Michael Gernon, we are strengthening our relationship with the local community.

As the following pages show, our other projects have continued to grow and develop during 06/7, and we are now at an exciting stage in the transformation of the RSA. Matthew has already mentioned the key component of our future development as a powerful catalyst for social progress – the Fellowship. We are committed to developing the Fellowship as a dynamic network and excited about the potential of this hitherto untapped resource to drive social change.

I welcome Stephen King and Stephen Farrant, who join us as chief operating officer and fellowship and marketing director respectively. I would like to take this opportunity to thank Penny Egan for her positive impact on the RSA during her eight years as executive director and previously, also Paul Crake and Philip Bunt who left the RSA after several years on the executive team. My thanks also go to Sir Paul Judge for chairing the RSA so successfully for the previous three years and for the great help he has given me both during the period before I became chairman and since. Thanks also to Sean Blair, Ann Packard and Andrew Summers (Trustees who are currently standing for re-election) as well as the other Trustees of the RSA for their hard work and support of the RSA. Our President remains a source of inspiration and I would like to express my appreciation for his continued support. Finally, thank you to all our staff for their effort and commitment over the past year, particularly as we go through a period of significant change. We are immensely grateful for their vital contribution to the RSA's work and confident that, with a shared enthusiasm, we can achieve great things in the year ahead.

ACHIEVEMENTS

Achievements: RSA Drugs Commission Fostering resilient communities

A Bold New Stance on Drug Misuse

Drug abuse rips communities apart, wrecks families and severely limits an individual's educational, health and employment prospects. That's why tackling it falls squarely within the remit of the RSA's bid for positive social change.

In March 2007, the RSA found itself at the very heart of the drugs debate with the publishing of the report of its Commission on Illegal Drugs, Communities and Public Policy – the fruit of two years' rigorous and open-minded exploration into why government policy on drugs in the UK is not working.

The press and broadcast media of the UK and beyond seized upon the report and, one week after publication, it had been downloaded from the RSA website 80,000 times. By early summer, the figure stood at 124,000.

Policymakers in the UK have commented on how valuable the report's findings are: "The report is radical and wide-ranging and marks a watershed in political and public debate on the future of drugs policy," said Martin Barnes, chief executive of DrugScope. The All-Party Parliamentary Drugs Misuse Group has studied the report and the group's chairman has cited its findings in presentations in the UK and Europe.

Our Commission members are now addressing – and being consulted by – the Association of Chief Police Officers, the Drug Education Forum and the Joseph Rowntree Foundation, among other influential bodies. We have also been working with the consultancy Participle on encouraging drug users to become full participants in their own treatment. The report has given us leverage to approach funding bodies with concrete recommendations for tackling some of the issues head-on.

The true extent of the report's influence on policy at the national level will be demonstrated in 2008, when the government reveals the results of its own ten-year review of drugs policy.

Plans for 2007/8

- Test and implement a range of recommendations from the report
- Promote incremental, practical change at the local level through small-scale pilots and inter-agency collaboration
- Involve drug users and their families more closely in the plans for their own treatment and social reintegration

A springboard for practical change – the report's main findings:

- Harm reduction should be the primary aim of drugs policy.
- Hard-drug misuse should be considered within the same regulatory framework as other more socially acceptable stimulants, such as alcohol, tobacco and prescription medicines.
- Drug misuse should be treated as a long-term chronic health problem, and not primarily as a criminal offence.

- Drugs should be classified strictly according to the harms they have been shown to cause.
- There should be a greater emphasis on drugs education in primary schools.
- Drug misuse should be regarded as an issue to be handled locally and at community level.

QUOTES

“An extremely important contribution [to the debate].”

Liberal Democrat home affairs spokesman Nick Clegg, speaking to the BBC.

“A startling injection of common sense.”

The Independent, leader column, 9 March, 2007

“I have enjoyed reading this well-written and extremely thoughtful analysis... We are considering its messages locally, and will try to learn from it.”

Dr Rory O’Conor, public health consultant, North Wakefield

Achievements: Lectures Programme Across manifesto challenges

A year to remember

The RSA Lecture Programme brings serious social and economic issues to a huge audience, facilitating debate on the most pressing issues facing society. We attract world-class thinkers and this year hosted 100 lectures, 20 of which were outside London, including events at the Cheltenham Literature Festival and the Glasgow Design Festival.

To raise our profile as a cutting-edge organisation, this year we introduced RSA Thursdays. Organised at short notice, this lunchtime lecture series allows us to respond to news stories, tackle topical issues and catch high-profile speakers as they pass through London. This new approach helps convey the message to public intellectuals that the RSA is ‘the place to speak’ when in London.

Throughout 06/07, we have extended the reach of our lecture programme to new audiences. The shorter, lunchtime format of RSA Thursdays has brought a more diverse, local London audience. Meanwhile, Café RSA – our regional programme of informal discussions – is engaging a younger audience beyond the capital. Since the first event at Manchester University, it has been rolled out to Birmingham, Cambridge, Lincoln and Carlisle.

Our audio streaming service allows us to disseminate our rich programme of debate throughout the world and is proving incredibly popular; the number of MP3 downloads from the RSA website has increased by almost 13,000% since June 2006. Listeners can now also view a speaker’s presentation when they tune in online.

We continue to explore ways to add value to the lecture experience. We have introduced online polling ahead of lectures, allowing our intelligent and questioning audiences to engage more actively in the debate and our speakers to gain the benefit of their expertise.

This year we have continued to build strong partnerships, working with well-recognised names, such as BBC Radio 4 on its *Iconoclasts* series in September 2006, to reach the population at large. But, with many organisations and media outlets chasing the same contributors and audiences, we will also focus in future on working with the most exciting emerging voices.

Plans for 2007/08

For the coming year, we plan to:

- increase the rapid response of our news-led RSA Thursdays series
- develop our new RSA Themes series, aligning talks closely with our projects and targeting a more specialist audience, to further the RSA's understanding of the issues involved and enable us to move the debate forward
- grow our Keynotes series of lectures – programming world-class public intellectuals to speak on the big issues facing society today
- expand our online dissemination of lectures, including the introduction of video capabilities, the structuring of 'web kind' events and improved opportunities for participation via web and mobile.

Audience feedback:

76% rated the events 'very interesting'

81% described the speakers as 'very well informed'

59% thought the events 'very well organised' and 31% thought they were 'well organised'

Selected highlights:

- Al Gore: 'Earth in the balance sheet'
- Francis Fukuyama: 'Nations Unlimited' at the Edinburgh International Book Festival
- Wangari Maathai: 'Unbowed'
- Philip Zimbardo: 'How Good People Turn Evil: the psychology of social influence'
- Ali A Allawi: RSA Thursday – 'The Occupation of Iraq: Winning the war, losing the peace'
- Amitai Etzioni: RSA Thursday - 'Foreign policy after Bush'

Achievements: Education

Developing a capable population

Open Goals

If the RSA is to achieve its ambition of breaking down the barriers to social progress, it must operate at the very heart of education. As pioneers in the field, we introduced Britain's first open independent examinations system in the 19th century and we will continue to innovate and challenge the status quo. Our aim is to raise the levels of achievement of young people across the English schools system, focusing on developing an educational framework that equips individuals with the skills they need to contribute positively to the society in which they live. We plan to achieve this in a number of ways.

Opening Minds

We are extending the reach and impact of our Opening Minds competence framework (see box). We believe that Opening Minds has had a beneficial influence on the Qualifications and Curriculum Authority policy changes, particularly for Key Stage 3 (ages 11 to 14): several Opening Minds pilot schools were on the QCA/DfES steering groups for evaluation of the

curriculum and the QCA's final recommendation of a Personal Learning and Thinking Skills (PLTS) framework bore a close resemblance to the competence-based curriculum approach we advocate.

One hundred and thirty five schools across the UK have now signed up for Opening Minds and, over the past year, hundreds more have requested information about the curriculum. In a drive to make the RSA curriculum easy to introduce, adapt and customise, we commissioned an Opening Minds DVD this year. It shows how the curriculum works in practice at both primary and secondary levels and underlines the impact of Opening Minds by comparing the featured schools before and after its introduction.

A major RSA education conference in April gave interested teachers a participant's-eye view of the curriculum, with students, as well as teachers, taking to the platform. It also allowed teachers to build up a network of contacts, in order to draw on the Opening Minds experience of others during their own curriculum planning process. The response to the conference has been so positive that we now have plans to follow it up with further events.

Rigorous evaluation is a crucial part of the ongoing development of Opening Minds, and the recent surge of interest in the curriculum has prompted us to embark on a second major evaluation project over the coming year (the first having been published in 2003). We are also developing a self-evaluation tool, which will match the OFSTED framework, for use by schools piloting Opening Minds.

RSA Academy

We are setting up an RSA Academy in Sandwell as a centre of excellence for the RSA's Opening Minds curriculum – where teachers interested in the RSA curriculum can come and see it in action. In 06/07, the £25m Sandwell Academy moved from the drawing boards of architect McAslan + Partners to the Department for Education and Skills for approval (planning approval is also pending). We involved students in the design process through the Sorrell Foundation's JoinedUpDesignforSchools consultation. This unique experience challenged the students to think constructively about their existing school and about the new building, giving them a real sense of ownership of the Academy.

In February 2007, we appointed our Academy principal designate, Michael Gernon. We intend the Academy to be more than a school, and Gernon will take the lead in encouraging the involvement of local people in the project, to ensure that residents of the surrounding area see it as an integral part of their community. There is space in the Tipton area for a new, iconic building that will mean something to the local community. The critical challenge is to make sure people are able to engage with the Academy space, by, for example, offering them access to valuable facilities such as the library and IT resources.

We believe the RSA should be able to help broaden students' horizons and we want to mobilise Fellows around the Academy project to help us do just that. The Fellowship offers a wealth of relevant experience and 'can-do' attitude in abundance, which could make Fellowship mentoring or masterclasses, for example, valuable exercises for the Sandwell students.

Plans for 2007/08

For the coming year, we also plan to:

- Develop a network of schools that will collaborate to research and test new approaches to teaching and learning
- Explore the potential for a range of school improvement and management initiatives to complement the Opening Minds curriculum, and, in this way, develop a whole school package of initiatives

What is Opening Minds?

The RSA curriculum seeks to define an essential set of 24 competences organised into five categories, which can be applied across the entire subject-based curriculum.

The categories of competences are:

- Learning
- Citizenship
- Relating to People
- Managing Situations
- Managing Information

Together, they provide a more active way of learning that prioritises not just knowledge but also the development of the personal skills necessary to apply that knowledge. This approach puts the curriculum content into context for the students, helping them to relate what they are learning to everyday life.

Achievements : CarbonLimited

Moving towards a Zero-waste society

Trading Carbon: changing behaviours

Carbon dioxide emissions recognise no physical, social or cultural boundaries. That's why it is vital that we seek solutions to the climate crisis that we can all engage with. In line with the RSA's aim to promote social progress, this project aims to make positive behavioural and ethical change as easy as possible. According to an RSA/YouGov poll in October 2006, 77% of people in the UK believe they can personally reduce their carbon emissions. We plan to provide workable details for a new policy tool to help them do this: personal carbon trading (PCT).

Throughout 06/07, the RSA has conducted seminars and interviews with industry experts, comprehensive research and data analysis examining how PCT might work in practice – the logistical and technological feasibility of a PCT model. The research has brought together experts in the fields of identity, privacy and technology, market analysts, traders and representatives from the energy and transport sectors and government departments. Our findings will form the basis for policy recommendations to be submitted to government in the coming year and have proven vital in developing practical field trials in partnership with Atos Origin - due to take place in autumn - bringing us one step closer to a PCT future.

As well as looking at infrastructure issues, we have undertaken in-depth research into the detailed design options and economic impact of a PCT scheme. This research is being peer-reviewed by an expert steering group of academics and industry leaders and we are feeding the results into all political parties to inform their climate change policies.

Crucially, we want to take the PCT debate beyond theory to give people a tangible idea of how it could work. On 17 October 2006, we launched CarbonDAQ, an online PCT

prototype that translates day-to-day behaviours into fixed ‘carbon credits’ so that participants can choose how to live within their personal carbon allocation. The high-profile launch, led by David Miliband, received considerable media attention; coverage on the front page of *The Times*, in *The Observer* and *The London Paper* prompted large surges in the number of users joining CarbonDAQ and enquiring about our work.

In 2007, we launched Carbon Control, a competition for children who – as individuals or in the classroom – log on to the ‘Carbonator’ (a kids’ version of CarbonDAQ), and suggest ways to reduce their carbon impact. Thousands of kids have registered in the first weeks and initial feedback from teachers and Fellows has been very positive.

Later this year, we will be testing public opinion through CarbonLimited Cities, a series of citizen forums providing demonstrations and opportunities for participants to feed into the detailed design of PCT.

For the coming year, we plan to:

- * re-launch CarbonDAQ, offering support and tools for communities and organisations setting up their own carbon-reduction projects
- * launch CarbonLimited in the US to gain an international perspective
- * investigate how PCT could work in the key areas of housing and transport through detailed analysis and reporting

Quotes :

“Well done with [Carbon Control]. It’s something I’ve been arguing in favour of for ages... Children, even more than adults, can help change habits!”
Elspeth Howe, Baroness Howe of Idlicote, RSA Fellow

Plans for 2007/08

For the coming year, we plan to:

- develop CarbonDAQ II, which will offer support and tools for communities and organisations setting up their own carbon-reduction projects
- launch CarbonLimited in the US to widen the project’s reach
- facilitate conversation and idea-swapping by children about the environment on our Carbon Control website
- complete a detailed report on personal carbon trading and the transport industry
- use information obtained during the PCT seminars to compile policy recommendations and submit them to government.

“Well done with [Carbon Control]. It’s something I’ve been arguing in favour of for ages... Children, even more than adults, can help change habits!”
Elspeth Howe, Baroness Howe of Idlicote, RSA Fellow

Achievements: Arts & Ecology

Moving towards a zero-waste society

Engaging Art

Created in 2005, the RSA’s Arts & Ecology programme harnesses the very best in creative thinking to address ecological challenges. We aim to provide a hub of connectivity for those

who wish to explore the links between art and environmental/social crises and to instigate fresh thinking in order to create real change.

Looking ahead, our partner, Arts Council England (ACE), has the international clout to achieve global impact, while the RSA's own programmes, particularly *CarbonLimited*, will bring environmental expertise to the table – an example of the RSA's joined-up approach in its bid to deliver social change.

Throughout 06/07, we supported artists through a series of ongoing commissions and projects with the aim of fostering an interdisciplinary approach to addressing ecological issues through the arts. In May 2006, we were a partner in a multidisciplinary workshop in China's Pearl River Delta, investigating rapid urbanisation. The workshop helped us to form a network of contacts in China, which will be instrumental in taking the project further. Then, in September, we welcomed Danish artist Tue Greenfort for a residency with the RSA – his research will be used to create a new artwork for London, designed to encourage the public to think about ecology.

December's *No Way Back?* Conference brought together 46 speakers from 11 countries and an audience of over 300. To tie in with the event, we published *LAND, ART: A Cultural Ecology Handbook* – a compendium of essays and artists' projects, which has been welcomed as one of the only comprehensive surveys of art activity in this field. Both the book and the conference have encouraged discourse and created awareness of the existence and diversity of artwork dealing with ecological issues.

Thanks to the Pontin Charitable Trust and Creative Partnerships, we ran educational pilots at schools in south London and Bristol, using art to encourage children to consider their ecological footprint: "I saw a real impact on children's understanding of the environment, and on their thinking and debating skills," said Sarah Perry of Futerra, who worked on the London project.

Also in Bristol, the Calouste Gulbenkian Foundation has been funding artists – Heather and Ivan Morison, and author Kate Thompson – in research residencies. These residencies have opened doors for these artists to undertake research in environmental organisations.

Plans for 2007/08

For the coming year, we plan to:

- Reinvigorate the website to provide an international hub inspiring participation and information sharing
- Launch a series of projects and residencies in partnership with international arts and environmental organisations relating specific local contexts to a global outlook on ecological issues
- Set up an international series of activities, workshops, conferences and conversations to increase momentum around the role of arts in ecology
- Explore ways to reduce the carbon footprint of the art community, a carbon culprit owing to the mass movement of people throughout the art world epitomised by this summer's 'grand tour' of the major art shows

Achievements: Design

Across manifesto challenges

Designing a better world

Sustainable and user-focused design is a key element of the RSA's work. It provides a creative means of improving quality of life and effecting social progress.

Our main design programme, the Design Directions annual student award scheme, has at its heart the promotion of design-led innovation as a response to social issues, and the creation of fair and inclusive systems, services and environments. This year, there were 41 winning entries, three of which now have patents pending. Meanwhile, Lucy Weston of University College of the Creative Arts is taking her project to Help the Aged to discuss the development of her 'Hot Granny' advertising campaign; Guide Dogs for the Blind will be piloting the Kingston University team's entry – the TacktiK virtual kerb – this summer.

In July 2006, we launched RSA Flying Start with the National Council for Graduate Entrepreneurship to encourage design graduates to apply their skills in a business context. Participants take part in a series of workshops on all aspects of business start-up and receive one-to-one mentoring throughout the year. This year, RSA Fellow Dr Trefor Campbell sponsored a £15,000 RSA Flying Start award for the best business idea to emerge from the programme, awarded in January 2007 to Goodone clothing. (see case study below)

Who? Nin Castle and Phoebe Emerson's company, Goodone

What? Ethical clothing manufacturer

Impact of RSA Flying Start: "The experience of pitching our business to the Flying Start judges, and hearing their feedback, will make a real contribution to further developing our idea," said the two entrepreneurs. They have been selling their wares online and in five UK outlets, but the prize money will allow them to create an international brand and promote their sustainability ethos throughout the fashion trade.

The RSA's distinction of Royal Designer for Industry (RDI), created in 1936 to raise the standard and profile of UK industrial design, is awarded to people who have achieved 'sustained excellence in aesthetic and efficient design for industry'. Today the RDI Faculty enables established designers to share their expertise with the next design generation. Our RDI Summer School, run with the assistance of the Esmée Fairbairn Foundation, brings together young designers with a group of RDIs, to question the status quo, explore cross-disciplinary practice and think about design in new ways.

What they said:

"The RSA has been the first major organisation to wise up to the fact that we cannot continue to produce yet more goods of ever more questionable validity. Young designers and young consumers need to be educated with this in mind, and Design Directions is an important step."

Mark Adams, Vitsoe, Design Directions partner

Achievements: Coffeehouse Challenge

Across manifesto challenges

Meetings of Minds

Social change can be brought about by all of us, and the RSA's Coffeehouse Challenge – now in its fourth year – calls on Fellows to mobilise the public, using their networks to set up events and inspire others to join them in finding solutions to pressing local concerns. It's a 21st-century adaptation of the seminal meetings of RSA founding members in a coffee house in 18th-century Covent Garden – where they planned how best to put Enlightenment ideals into practice.

Our Coffeehouse Challenge has three faces: the main programme, with our partners Starbucks; the T-Mobile youth programme; and the T-Mobile development programme. In 06/07 all three saw their number, geographical spread and media profile – including support from BBC TV's *The Politics Show* – rise significantly.

In total, we brought together over 2,000 people in more than 200 discussions, seeking imaginative ways to implement the RSA's goal of empowering communities to tackle local issues. Some of these were one-off discussions, some have flourished into networks of ongoing dialogue, and some have become Coffeehouse Challenge-funded projects.

One of our 06/07 innovations was to bring in pollsters YouGov to provide a springboard for debate around how to turn community apathy into community action. The RSA-commissioned poll of August 2006, which suggested that Britons were suffering from 'Community Detachment Syndrome', formed the background to many Challenge meetings. One of the discussions sparked was in Fulham, west London, where RSA Fellows Jane Emmanuel and Stefan Lubomirski de Vaux convened a group in the Fulham Road Starbucks to ponder the poor sense of community in SW6; a few weeks down the line, they and like-minded locals launched a welcome pack, plus quarterly 'hello' meetings for new arrivals.

A meeting organised by Tim Harding in Nottingham in July 2006 led to the creation of the Addiction Recovery Forum to fight drug and alcohol misuse, with the help of local businesses. In Bristol, meanwhile, August saw the opening of Bordeaux Quay, a Bristol restaurant and cookery school with an organic, zero-waste agenda, which had begun life as a Coffeehouse Challenge in March 2004.

Our project partners Starbucks have provided crucial support, not to mention store managers who are well-briefed and motivated. And through T-Mobile, we have been able to reach out to younger members of the community: the 16- to 24-year-olds. This is the very type of activity that is so important to the RSA: giving a voice to the traditionally disenfranchised and encouraging them to set about problem solving.

Our 2006 awards also went to:

- Learning Skills Wales, for their creation of Digilab – an IT centre where unemployed youngsters can learn new technical skills.
- An anti-social behaviour strategy for Great Moor Park in Stockport.
- A project to raise awareness of Fairtrade issues in Bradford, in particular, the publication of an annual Fairtrade directory specific to the locality.
- A scheme to educate young people in Edgware, north London, about knife crime.

Plans for 2007/08

This year we plan to:

- Award over £20,000 to Coffeehouse Challenge projects to kick-start the most innovative plans for action.
- Launch a new project with T-Mobile to create a volunteer force of enthusiastic youngsters who can be mobilised via their mobiles to take part in community action initiatives.

Achievements: Fellowship engagement

A stronger, broader network

This year has seen the laying of the groundwork for radical change within the Fellowship. We spent time consulting Fellows, staff and partner organisations in order to understand their ambitions for the RSA, and we have listened carefully to the feedback. Our response has been to set up the Fellow2Fellow initiative, Fellows' Forum and New Fellows' Evenings and we are developing our website to make our networks and contacts database more comprehensive and easier to use. Our four international Fellowship chapters have all taken important steps to lay the foundations for future growth, giving us truly global reach, and the Coffeehouse Challenge has grown in size and scope and has the potential to become a powerful driver of social interaction.

It's been a great year for recruitment, too. At the end of 06/07, RSA membership stood at a record 26,125 – an impressive rise of 1,125 since the preceding year. What's more, the Fellowship recruitment team was expanded in 06/07, allowing us to spend more time identifying potential new Fellows with a record of achievement in as diverse a mix of employment and interests as possible, expanding the range of skills and expertise available to the RSA, as well as improving the ethnic, gender and geographical balance.

Our 'Fellow-get-Fellow' recruitment, where Fellows are encouraged to introduce candidates to us from their own range of contacts, has been especially successful in broadening the networks of expertise, contacts and creativity that characterise the RSA. It is one of the building blocks of our larger-scale plans for 07/08.

We developed both in number and in diversity across 06/07. We welcomed a record number of women into the Fellowship, while more and more young recruits are coming on board, helping to create a wider fusion of perspectives within the RSA. Last year, women represented 35% of new Fellows (compared with 26% across the entire Fellowship), while the average age of Fellows joining over the past three years is 10 years younger than the overall Fellowship.

As part of our endeavours to further engage and interact with the Fellowship, we have continued to develop our popular New Fellows' Evenings. These informal events underline the importance of face-to-face dialogue, allowing Fellows to put RSA names to faces and to meet others in their new network. They are also an ideal opportunity to introduce Fellows to the House and show how they take advantage of the space as a Fellow. In order to increase Fellowship involvement in the Programme, we trialled a series of Fellows' Forums designed to inform and encourage interest in our current projects. The events provided insight into the level of involvement in the Programme that Fellows are seeking and

generated Fellows' own project ideas, which have fed into the RSA's annual 'call for ideas' process. We plan to continue the events on a regional basis over the coming year.

To encourage greater peer-to-peer interaction across the Fellowship, we launched Fellow2Fellow in March 2007. The initiative provides an online platform where Fellows can share ideas by writing about an issue and then opening it up for debate on the RSA website, connecting Fellows to create a force that can drive inspirational concepts into action.

Looking at the bigger picture, we now have Fellows from 70 different countries, and our international Fellowship expanded in 06/07. In the EU, some 80 Fellows are based in Brussels – small in number, but forming a powerful nucleus. Among the events in 06/07 were our four 36-hour 'demystifying' trips to the heart of the EU. This is a great example of the cultural permutations that are possible with the RSA's growing global reach. In the US, we reached agreement on a three-year plan to invest in the American chapter of the RSA, which now has 682 Fellows (with a further 211 in Canada); a director is due to be appointed this coming autumn. We currently have 380 Fellows in the Australia/New Zealand RSA chapter, while in India – where we now have 69 Fellows – we have appointed Verena Salzmann as RSA director in Delhi.

With the RSA network spanning the UK and growing internationally, the *RSA Journal* is a vital channel of communication with Fellows. It is crucial that it meets their needs, keeping them informed about the RSA's work and also providing a platform for their own views. Therefore we were delighted that the *Journal* was shortlisted and won a commendation in the category of 'Most Effective Membership Title' at the 2006 Association of Publishing Agencies awards. Now, as the RSA evolves and places a greater emphasis on pro-social activism, the *Journal* must support its new direction. Over the coming year we will be redeveloping the publication, maintaining its intellectual integrity but introducing more opportunities for Fellowship engagement. In particular, we look forward to turning the existing *eJournal* into a richer, more interactive online experience.

These changes will be reflective of a much bigger transformation process, through which we aim to turn the RSA Fellowship into a formidable force driving social change and community action throughout the UK and beyond.

FELLOWSHIP

The 21st century Fellowship

We are now embarking on one of the biggest single changes in our 254-year history: transforming the RSA into a catalyst for civic innovation, by empowering its Fellows to develop dynamic new social networks to promote and deliver positive social change. In so doing, we aim to return to our radical roots as a progressive organisation founded by a group of people, ahead of the game, wanting to change society for the better.

"[The RSA's original ambition] really resonates; it's as relevant as ever" (quotes taken from research with Fellowship groups undertaken in June 2007)

The time is ripe. There is a growing mood among the public for social change, a desire to close the gap between the society we want to live in and the one we currently inhabit.

While disengagement with government has increased, there is growing evidence of civil action - communities working collectively, taking responsibility for tackling the problems they face in their daily lives.

We're living in a much more networked world now, and that raises huge and exciting possibilities for dialogue and action – for harnessing the enthusiasm that we know is out there. And the RSA is uniquely placed to do just that, through arguably its richest resource - the Fellowship.

“The RSA is not here for the benefit of Fellows but Fellows are here for the benefit of the RSA”

The Fellowship is a valuable asset of the RSA - over 26,000 of the brightest and best connected people, operating not only in the UK but across the globe. Recent research with Fellows shows that many Fellows are keen to be proactive and support our aims but can be frustrated by the lack of opportunities to meaningfully engage with the RSA.

So we are developing a plan to tap into that massive latent potential, mobilising the Fellowship to become a dynamic new force for change through issue-based networking.

“Everyone’s trying to involve us and it’s pretty exhausting. The question is: ‘How can you empower me to do the things that are important for society rather than what can you take from me?’”

We recognise that Fellows are successful, busy people who are time poor. We aim to create a package of tools and resources - both offline and online - which are tailored to their tastes and enable them to make quick, effective connections and smart decisions that accelerate social action.

Later this year we aim to provide an opportunity for a large group of Fellows to come together and work with us to find the best possible approaches. We will focus on the kind of issues they are interested in, how we can work together to tackle those issues, and what support and tools the Fellows will need to achieve this.

Following this initial experimentation stage, we can determine the best ways for the RSA to take forward the delivery of shared goals and make our new programme of engagement activity available to the Fellowship at large.

“Ask members to contribute and you get a deeper commitment from them - and more pro-activity in all initiatives”

Our programme of change will mean that:

- Fellows are the front line of an organisation that is independent, progressive, outward facing and multidisciplinary in its approach to delivering social change
- Being a Fellow is sharing a commitment not only to the idea of human progress but to contributing to that progress
- Fellows are part of a network that relies on new ideas, mutual support and a willingness to act in order to drive positive change in society
- By re-engaging with – and mobilising – the Fellowship, the RSA will gain greater credibility and currency as a dynamic hub for delivering social change

PROGRAMME

Closing the social aspiration gap

The RSA Programme is constantly evolving. We want it to work hand in hand with the Fellowship to drive social progress but to achieve this we need to be clear both about our purpose and our method. So we have spent much of this year engaged in an intensive process of discussion and evaluation, seeking to clarify and re-articulate what we are for and what we do.

As with the Fellowship, the key to this lies in our radical roots. As an Enlightenment organisation we have certain core characteristics: we are multidisciplinary, rational, human-centred and, most importantly of all, we believe in progress. We want to recapture the bold ambition of our founding members; the challenges may have changed but our drive to work together to change society for the better remains resolute.

Many of the most difficult problems we face today can only be tackled if we all work together as citizens to bridge the social aspiration gap: for instance, we can only combat climate change if we are all willing to change our own lifestyles and we can only build cohesive communities if we are all willing to take responsibility for public behaviour.

Of course this is not the only way change happens - different problems demand different solutions – but it is the type of change that the RSA is, and has always been, best placed to deliver, precisely because we are a Fellowship.

So the task of our Programme is to inspire, catalyse and facilitate the collaboration and engagement of citizens to remove barriers to progress in society. Our projects aim to decisively shift the public debate on issues in a range of areas - enterprise, environment, education, communities and global citizenship - and to demonstrate how real solutions to them can be implemented. Most notably this year, our Commission on Illegal Drugs, Communities and Public Policy forcefully challenged the current emphasis on drug misuse as a criminal issue rather than a health problem in a major report. We are now working on ways to test and implement the report's practical recommendations, for example through local pilot projects. Each project should contribute to a progressively richer account of how we all can work together to change the world.

In order to achieve our goals, projects need to draw on the work of pre-eminent thinkers and practitioners but also on the collective wisdom. They should seek to engage our business, cultural and political leaders but will also inspire change horizontally through networks of engaged citizens.

To catalyse this type of change our projects will need to have multiple locations and multiple actors. They will happen in our London headquarters, but also online and out in real communities; they will be put into practice by RSA staff but also by Fellows, partner organisations and the public at large.

Several of our current projects already do this. For instance, *CarbonLimited* is catalysing citizens to work together to make a real reduction in carbon emissions, not to mention our work on education, problem drug use, design or water in the developing world.

For 07/08 our key challenges are to continue to align our existing Programme with this central vision and to fill the gaps, constantly asking ourselves what barriers to progress we are not tackling and what we can do about them.

Most importantly of all, we will continue to find ever more innovative and creative ways to engage Fellowship more closely in both the design and delivery of our programme. This will mean that:

- Fellows are actively involved in implementing a range of RSA projects on the ground
- Most RSA projects have, or plan to have, elements that are put into practice by Fellow collaboration
- Projects continue to provide ideas and intellectual tools that Fellows can use in order to drive positive social change

Other project developments include:

Water and the developing world

- Pilot schemes up and running in three villages in Andhra Pradesh, India to improve water and sanitation; achieved by working with local NGO The Byrraju Foundation and the communities themselves

RSA Risk Commission

- Expert commission rigorously researched and debated the ways in which society manages, or fails to manage, risk; first report on risk and childhood to be launched in Autumn 2007
- Fully interactive website launched to open up the public debate around the issues of risk; receiving an average of 70 visitors a day

Ethical Futures

- New project launched to explore the ethical landscape around scientific advances capable of significantly altering the human state
- Series of activities scoped out for 07/08 to engage different groups in articulating their views about the future of human enhancement

THE HOUSE

A dynamic home for the new radicals

One of the survivors of the Adam brothers' original Adelphi development of the late 1760s/early 1770s, our House expresses in brick and stone the very Enlightenment ideals that led to the founding of the RSA in 1754: solidly-built, logically thought out, progressive and modern – in the very best sense of the word.

Today, the House remains the intellectual home for our Fellows. The Fellows' Library is a reflective space, where Fellows can pursue thoughts and ideas, draw on a wealth of material (from 18th century records to the latest DVDs) and make the most of technological developments, such as improved WiFi connectivity, for ease of working. Elsewhere, our House provides a rich variety of spaces for meetings, seminars, dinners, early evening drinks and receptions – for Fellows to engage with each other, debate ideas, collaborate, and revive

the radical spirit of 18th century café society that spawned a host of new ventures, including the RSA itself.

We believe in the importance of the House as a vibrant space for promoting a richer public discourse around major social issues. As such, we make regular use of our House as a venue for lectures and conferences, almost all of which are free of charge and open to the public.

Our Grade I listed building serves a crucial function in enabling our charitable work to continue and develop. Revenue from our hospitality business, RSA Adelphi Enterprises Ltd, is employed to maintain the House and contribute to the RSA's charitable activities. This year we have renovated and updated several areas of the House to retain its appeal as a top-class hospitality venue and so drive revenue growth.

We were delighted to discover that we achieved a 91% rating in 06/07 when we asked our visitors and facilities users whether we had offered them value for money; 86% commended our catering, while 88% saw our the quality and sheer class of our Adam-designed rooms as a major attraction in choosing the RSA as a venue. Some 64 couples chose to tie the knot here, in addition to four civil partnership ceremonies.

Close to the heart of our hospitality operation is the aim to run a business that aspires to zero-waste. All our glass and broken china is recycled, while eco-friendly detergents, low-energy bulbs and water purification are standard. Meanwhile, our taxi service of choice (Green Tomato Cars) is an environmentally friendly service, using the Toyota Prius electric car. We were recently complimented by greenunion.com for our endeavours to host low-carbon marriages and receptions.

Ethical and sustainable sourcing are also high priorities. Nearly all the coffee we use in-house is both fair trade and organic, while the food we serve in our restaurants and at events is sourced within Britain, where possible, to eliminate food miles. Sustainability is also key for our catering: we will, for instance, only buy fish from sustainable stocks.

But we think pictures speak louder than words: we aim to have a virtual tour of the House available on the website this coming year, so you can come and see for yourself.

Plans for 2007/08

For the coming year, we plan to:

- increase total revenue for Adelphi Enterprises from £2.5 million to £2.7 million, allowing us to make further improvements to the House and continue to support our charitable activities
- review and develop our plans for reductions in waste and energy consumption across the entire organisation, improving recycling rates by at least 5%
- remove plasterboard walls between staff offices –breaking down internal communication barriers to deliver more effectively our goal of breaking down the barriers to change in society.

THE RSA : A PUBLIC RESOURCE

Everything that the RSA does – from tackling drug abuse to promoting inclusive design to tackling climate change – is designed to be of benefit to the public. From a more immediate perspective, we have many valuable resources available to the public including: our lecture

programme; online project resources, discussion areas and interactive tools; and the archive. Through ongoing improvements, we are making the most exciting and innovative thinking available to everyone and encouraging analysis of and action on our ideas.

The RSA Lecture Programme is a powerful public resource. Free of charge and open to all, the programme attracts first-rate minds from all over the world to share and debate their ideas. And 06/07 was the year in which the RSA's audio-streaming of lectures through the website came into its own. The total number of MP3 downloads reached a staggering 256,298.

We are continually growing our online resources, in order to share our thinking and project work as widely, and through as many channels, as possible. The public can access cutting-edge research, such as the RSA Drugs Commission's recent *Drugs - Facing Facts*, and intellectually rigorous comment via our bi-monthly *eJournal*. Last November, we launched our monthly RDInsights podcasts – a series of interviews charting the lives and work of distinguished designers, which is gaining between 70 and 100 new listeners each week.

Our chief executive, Matthew Taylor, is an enthusiastic RSA website blogger, giving us his weekly 'View from the 4th Floor of John Adam Street'. The blog is a lively communication channel with Fellows and the public through which he can share his vision for the RSA and provoke debate around issues of pro-social behaviour. Meanwhile, the Risk Commission blog opens up a dialogue between experts and the public on issues around risk and childhood.

The launch of CarbonDAQ - an online carbon calculator - in October 2006 marked a move in a new direction for the RSA: the use of interactive tools to bring our projects to life and make our thinking accessible on a practical level. We believe this is an important step in encouraging Fellows and the general public to become actively involved in helping us to test and progress our ideas. We are exploring how we can make the most of this approach, and how it can add value, across the RSA's programme of work.

Our website has been evolving, and the pace of change is about to get quicker, so prepare to see significant changes at www.theRSA.org. "Our aim is to move to open-source technology," says Anshuman Rane, the RSA's web and new media manager, "which is in keeping with the RSA ethos. Open-source is a more flexible and extensible platform, which will allow us to be more innovative and responsive to the changes around us."

In the coming year, we hope to launch a virtual tour of Number 8 John Adam Street on the website. Meanwhile, every first Sunday of the month, we throw open our doors to the public between 10am and 1pm. These events are an opportunity for us to share the wonderful resource of the House with the wider public and inform them about the RSA's work.

First-quarter 2007 RSA website figures:

Jan 2007 Unique visitors: 220,371

Total page views: 787,746

Number of downloads (PDFs, MP3s, Video): 67,542

Feb 2007 Unique visitors: 204,680

Total page views: 1,196,871
Number of downloads (PDFs, MP3s, Video): 72,040

March 2007 Unique visitors: 247,751
Total page views: 1,519,873
Number of downloads (PDFs, MP3s, Video): 192,388

Making the past available in the present

The RSA archive provides a continuous record of the Society's activities since its foundation in 1754 and contains an array of national treasures including letters from historical figures such as Benjamin Franklin, Karl Marx and Charles Dickens. The archive is responsible for storing these valuable items for future generations. To ensure its contents remain accessible and well-publicised, the archive now has its own blog highlighting items of interest and developments.

Enquiries from the public about any aspect of the RSA's history are welcomed. Recent examples of those we have assisted include:

- a researcher into the history of the teaching of Russian who was able to draw upon the RSA examination papers
- an art historian who discovered that a drawing we hold of a sculpture is of particular value as the original sculpture no longer exists

The archive search requests mechanism is the most used public part of our website. Since September 2006, the number of requests has risen from 17,638 to 93,020.

WHAT OUR PARTNERS THINK OF US

We believe that feedback is vital if we are to develop and grow in our ambitions. We work with a broad range of organisations, all of whom bring their expertise and energy to bear right across our programme. Here's what some of them have said about us.

DESIGN

“Design Directions delivered the opportunity to immerse a wide range of designers in the issues faced by blind and partially sighted people. Guide Dogs for the Blind felt it was important to engage in a dialogue with the design community, to support and encourage the RSA's focus on inclusive, user-centred design. The key result for us was to see what happened when good designers interacted with visually impaired people and began to understand how design can help or hinder their individual journeys to independence. We have learnt a huge amount about how to inspire young designers and the positive results that ensue.”

Paul Day, creative director (Whiteshirt Communications), Guide Dogs for the Blind

“Our collaboration with the RSA on Design Directions added tremendous momentum and depth to Dott, which would not have been able to command so much attention on its own. The established reputation of Design Directions also enabled us to engage the immediate attention of all the most important design schools.”

John Thackara, programme director, Dott 07

CARBONLIMITED

“The RSA's CarbonLimited programme is at the cutting edge of the climate change debate in the UK. Much hot air is generated around personal carbon allowances: will they work? Are they fair? Will the public accept them? – But the RSA's programme actually attempts to model and answer some of these questions. If we can get to the bottom of some of these issues within the next year, the programme will have a huge effect on the way we perceive carbon.”

Sarah Perry, senior consultant, Futerra

“Defra worked closely with the RSA in 2006 to help secure UK participation in the European Business Awards for the Environment. We very much value the expertise of the RSA. Working in partnership has helped more organisations achieve recognition for their efforts to reduce their environmental impacts.”

Chris Thomas, Environment, Business and Consumers Division, Defra

ARTS & ECOLOGY

“The Gulbenkian Foundation enjoys a very productive partnership with the RSA, especially in relation to its Arts & Ecology programme where we share the same concerns. Quality, imagination, inventiveness, intellectual gravitas should be of prime importance in art-making, rather than straightforward propaganda or scare-mongering. We have great faith in the RSA's integrity and energy and in its belief in the inexplicable power of good art.”

Siân Ede, arts director, Gulbenkian Foundation

“No Way Back? was tremendously interesting, and the range of speakers was very impressive. The work you are doing at the RSA with Arts & Ecology contributes massively to the field, and my students are now buzzing with excitement.”

Alan Boldon, director of Arts & Ecology, Dartington College of Arts

COFFEEHOUSE CHALLENGE

“Starbucks is delighted to be involved in the RSA’s Coffeehouse Challenge. We are committed to contributing to the communities we serve. Enabling people to come together in our coffee houses to discuss local issues and bring about positive change is something we are proud to do.”

Jim Curtis, senior specialist, community affairs at Starbucks Coffee Company

“When I volunteered to host the Bristol Coffeehouse Challenge in 2004 I could not have imagined what a life-changing experience it would be. Choosing the zero-waste theme has resulted in my village’s Go Zero Project, which in turn has directly led to The Converging World initiative (www.theconvergingworld.org). The Converging World is already attracting a great deal of interest and support from across the globe. None of this would have been possible without the RSA giving me the opportunity to engage with like-minded Fellows in my community and beyond.”

John Pontin, director, The Pontin Trust

OUR THANKS

Financial support is crucial in helping the RSA to attain its goals. The RSA would like to extend very special thanks to the following for their generous support in the last financial year. It is thanks to these donors that we can continue to make progress.

The following individuals and organisations made financial contributions of £500 or more in the financial year 2006-7.

Corporate Supporters

A4E Group
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The Economist Group
Enterprise MPC Ltd
FosterDenovo
GlaxoSmith Kline plc
Ideal Standard Limited
IMS Marketing Communications Group plc
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Madura
Management Dynamics
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Starbucks Coffee Company (UK) Ltd
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T-Mobile (UK) Ltd
Waitrose Ltd
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Trust, Foundations & Grant-Making Organisations

The Andor Charitable Trust
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Sir Victor Blank Charitable Settlement
The George Cadbury Fund

Chartered Institute of Marketing
Charitable Trust
The Sidney & Elizabeth Corob Charitable
Trust
The Edge Foundation
The Esmée Fairbairn Charitable Trust
Friends Provident Foundation
The Hon H M T Gibson's Charitable
Trust
The Happold Trust
The Mercers Company
The G M Morrison Charitable Trust
The John Pontin Charitable Trust
Eddie Squire's Bursary
The Michael & Louisa Von Clemm
Foundation Inc.
The Wates Foundation
The Barbara Whatmore Charitable Trust
The Worshipful Company of Girdlers
The Worshipful Company of Tin Plate
Workers
The Worshipful Company of Weavers

Statutory & Other Organisations

Arts Council England
BBC Radio Four
The British Museum
Cambridge Assessment
The Ceramic Industry Forum
Chartered Management Institute
DEFRA
Design Council
DOTTO7
Economic and Social Research Council
The Fabian Society
Forum for the Future
Guide Dogs for the Blind
Helen Hamlyn Research Centre
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London Trading Standards
NESTA

Gifts in Kind

British Airways plc
Cobra Beer
Pentagram
Lewis Moberly

We also extend our sincere thanks to those supporters who wish to remain anonymous.

Structure, governance and management

The governing body of the RSA is the Board of Trustees which comprises fourteen members and meets four times a year, plus an annual conference to review strategy and performance. Trustees are elected or appointed for a three year term and may serve a second three year term. The Executive Team attend all Board meetings.

Six Trustees are directly elected by the Fellows. The remaining eight Trustees, including the four Officers, are appointed by the Board, with the concurrence of Fellows at the AGM. Each new Trustee attends an induction day and is provided with a pack of information about the RSA and their responsibilities. Additional training is provided if appropriate.

The Board has established four committees, each with specific terms of reference and functions delegated by the Board and with a Trustee as chairman, appointed by the Board: Finance and General Purposes; Audit, Risk and Governance (which has two external members); Nominations; and Remuneration.

The Executive Team attend all Finance and General Purposes meetings. The Executive Director and Chief Operating Officer both also attend all the other committee meetings. The external auditors attend a meeting of the Audit, Risk and Governance committee.

The Board decides on the strategy of the RSA, with implementation of strategy and day-to-day operational management delegated by the Board to the Executive Team.

The Board appoints the directors of the trading subsidiary, RSA Adelphi Enterprises Limited, and monitors its performance. The directors of the subsidiary meet as necessary.

During the year one of our Trustees was appointed to a senior management position with our auditors Deloitte & Touche LLP presenting them with a potential conflict of interest on continuing to act as our auditors. Following their resignation we have appointed haysmacintyre to fill the vacancy. We would like to express our thanks to Deloitte & Touche LLP for their work and support in recent years.

Statement of Trustees' responsibilities

The law applicable to charities in England and Wales requires the trustees to prepare financial statements for each financial year which give a true and fair view of the charity's financial activities during the year and of its financial position at the end of the year. In preparing financial statements giving a true and fair view, the trustees should follow best practice and:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards and statements of recommended practice have been followed, subject to any departures disclosed and explained in the financial statements; and;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in operation.

The trustees are responsible for keeping accounting records which disclose with reasonable accuracy the financial position of the charity and which enable them to ascertain the financial position of the charity and which enable them to ensure that the financial statements comply with the Charities Act 1993 and regulations made under s.44 of that Act. The trustees are responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Advisory Council

The Advisory Council members bring to the table creative ideas in order to help develop and guide a relevant, forward-looking and well-balanced programme of activities to deliver the RSA's new 21st century manifesto. The Advisory Council meets three times a year both in plenary session and in break-out groups according to manifesto challenge area. Members of the Advisory Council also act as advocates for the RSA and its work; and help to make contacts and find funding to support the programme.

Risk management

Each year a full risk assessment is undertaken in order to identify the major risks to which we are exposed under the headings: Governance; Commercial; Financial; External Factors; Programme; Fellowship; and Fundraising. The risk register summarises potential risks which have been assessed as to their likelihood and potential impact. Existing and new control systems have been identified to limit each of these risks. The Board reviewed and approved the annual update in May 2006 and confirmed that it continues to be satisfied that adequate control actions and monitoring processes are in place to mitigate the exposure to major risks.

Financial review

Overview

Overall we have net outgoing resources of £(0.7)m compared with £(0.1)m in 2006. This is before gains on investments and actuarial adjustments to the pension scheme. Resultant net movement of funds is £(0.6)m compared with £1.0m last year.

This deficit is a consequence of increased investment in our programme activities not being matched by the increase in fundraising anticipated in the budget.

We have taken corrective measures to restore the balance between fundraising income and project expenditure. We have tightened the controls relating to project expenditure commitment in advance of fundraising cash being received. This should minimise the risks of this level of imbalance recurring in the future.

Incoming resources

Total incoming resources fell slightly from £8.0m to £7.9m as the fundraising market remained difficult. Our principal funding sources are our Fellows, RSA Hospitality, donations, grants and sponsorship and investment income.

Under *Voluntary Income* fellowship subscriptions grew 13% from £3.2m to £3.6m, through a combination of increased annual subscriptions and an increase in the number of Fellows. Over 70% of Fellows pay their subscriptions under Gift Aid, which is almost all of those eligible to pay in this way. It is an important component of this source of funds. Donations fell from £0.6m to £0.2m continuing the trend seen last year.

Under *Activities for Generating Funds* RSA Hospitality operates all the function spaces within the RSA House, providing accommodation for business meetings and weddings. Turnover remained flat at the record level of £2.5m achieved last year. The profit from these activities is all passed to the RSA and used for charitable activities.

Project Grants and Sponsorship increased from £0.5m to £0.7m including £0.1m raised from the appeal to Fellows for the Tipton Academy. *Other Income* fell from £0.7m to £0.5m and *Investment Income* fell slightly from £0.6m to £0.5.

Investments

Most of the RSA's funds are invested either in the RSA House in John Adam Street or in securities. During the year the market value of investments grew from £12.3m to £12.8m; within this the Shipley fund grew from £10.7m to £10.8m after £0.5m cash withdrawals. The investment mandate for the Shipley expendable endowment remained unchanged. Cazenove are targeted to achieve a 6.5% total return and with a maximum risk to capital in any one year of 7%. This year they achieved 5.6% (2006 - 15.7%).

Resources expended

Expenditure rose from £8.1m to £8.6m.

Overall the costs of generating funds dropped from £4.6m to £4.4m as the costs of generating voluntary income and the trading costs of our hospitality operation both fell slightly. Net voluntary income rose from £1.1m to £1.2m. Trading margins improved from 25% to 27%.

Resources expended on our continuing charitable activities rose from £3.3m to £3.9m. These include all the expenditure on our programme of projects; lectures; and responding to public consultations. During the year we embarked on new projects under the manifesto challenge area 'fostering resilient communities' and accelerated our work under Carbon Limited.

The costs of governance include the expenses associated with Trustee Board meetings, Trustee elections, maintaining our constitution, external audit and a proportion of core executive management.

Net incoming/(outgoing) resources

The net outgoing resources for the year were at £(0.7)m (2006 - £(0.1)m). We benefited from gains on investment assets of £0.4m (2006 - £1.2m) and had actuarial losses on our pension scheme of £(0.3)m (2006 - £(0.1)m). See note 13 for details of the actuarial calculation. The net movement of funds for the year was a decrease of £(0.6)m (2006- £1.0m).

Reserves policy

The Trustees have adopted a reserves policy which they consider appropriate, in order to ensure the continuing ability of the RSA to meet its objectives and obligations. Investment returns are required to fund the charitable activities; and the policy also seeks to maintain an acceptable ratio between the 'free reserves' and the level of 'unrestricted cash expenditure'.

'Free reserves' are represented by the unrestricted funds plus the Vaults appeal fund less the tangible fixed assets. 'Unrestricted cash expenditure' represents the operating costs for the year less the charge for depreciation.

The Trustees consider that free reserves should not fall below three months' unrestricted cash expenditure. As a consequence of the deficit this year this ratio falls to 2.1 months (2006- 3.2 months). While the Trustees are aware that this definition of free reserves does not include the Shipley Fund which is an expendable endowment, the income from which is used to support the RSA's charitable activities, they expect that in 2007/08 the Society's normal operating activities will return a surplus to help gradually restore this ratio towards target. The suitability of this ratio, as defined, for an organisation like the RSA, will be reviewed during the course of 2007/08.

Investment policy

The investment policy remained unchanged and is set out below.

Return Objective

An annual total return target of 6.5% per annum: 4% real return plus 2.5% to preserve real capital value over the investment cycle.

Risk

Minimise the level of risk required to meet the return objectives, subject to achieving a prudent level of diversification across asset classes and geography wherever possible. The RSA is willing to accept a degree of deviation from the Strategic Asset Allocation where the investment manager feels there is the tactical opportunity to improve returns on a risk adjusted basis.

Liquidity Requirement

There are no specific liquidity requirements aside from being able to meet drawdowns associated with the total return target of 4% per annum.

Time Horizon

A perpetual time horizon has been set for investments but is reviewed by the ARG annually.

Social, environmental and ethical considerations

The Trustees seek to avoid investing directly or indirectly in the financial assets of institutions known to operate policies or have objectives that are incongruent with the aims of the RSA.

The Shipley Expendable Endowment is managed by Cazenove Capital Management (CCM) who use a rigorous investment process including analysis of both financial and non-financial factors. Research into the social, environmental and ethical (SEE) stance of companies is integrated within their process. When CCM's assessment indicates that a company's approach to SEE issues could have an adverse impact on shareholder value, it is their duty to try to reduce this risk. They highlight the assessment of the SEE risks to the company thereby promoting best practice. If this 'dialogue' proves futile and the risk increases, they can sell the holding. The Shipley Expendable Endowment receives information on Socially Responsible Investment (SRI) research and engagement as part of its quarterly reports from CCM.

Independent auditors' report to the Trustees of the RSA (the Royal Society for the Encouragement of Arts, Manufactures and Commerce)

We have audited the financial statements of the RSA (Royal Society for the Encouragement of Arts, Manufactures and Commerce) for the year ended 31 March 2007 which comprise the consolidated Statement of Financial Activities, the Charity and Group Balance Sheets, the consolidated Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the charity's trustees, as a body, in accordance with the regulations made under the Charities Act 1993. Our audit work has been undertaken so that we might state to the charity's trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and the charity's trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditors

As described in the Statement of Trustees' Responsibilities the charity's trustees are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

We have been appointed as auditors under section 43 of the Charities Act 1993 and report in accordance with regulations made under section 44 of that Act. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Charities Act 1993. We also report to you if, in our opinion, the Trustees' Report is not consistent with the financial statements, if the charity has not kept proper accounting records, if we have not received all the information and explanations we require for our audit.

We read the Trustees' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charity's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the charity's and group's affairs as at 31 March 2007 and of its incoming resources and application of resources in the year then ended; and
- have been properly prepared in accordance with the Charities Act 1993.

haysmacintyre
Registered Auditors
24 July 2007

Fairfax House
15 Fulwood Place
London
WC1V 6AY

Group Statement of Financial Activities for the year ended 31 March 2007

	Notes	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	Total 2007 £'000	Total 2006 £'000
Incoming resources	3					
Incoming resources from generated funds						
Voluntary income		3,786	-	-	3,786	3,755
Activities for generating funds		2,454	-	-	2,454	2,462
Investment income		115	361	-	476	583
Incoming resources from charitable activities						
Project grants & sponsorship		-	713	-	713	480
Other income		458	-	-	458	700
Total incoming resources		6,813	1,074	-	7,887	7,980
Resources expended	4					
Costs of generating funds						
Costs of generating voluntary income		2,536	31	-	2,567	2,703
Fundraising trading: costs of goods sold & other costs		1,801	-	-	1,801	1,855
Investment management costs		-	-	6	6	8
Charitable activities						
Programme of projects		1,382	1,714	-	3,096	2,590
Lectures and conferences		794	-	-	794	678
Governance costs		253	-	-	253	172
Other resources expended		-	61	-	61	76
Total resources expended		6,766	1,806	6	8,578	8,082
Net incoming/(outgoing) resources before transfers		47	(732)	(6)	(691)	(102)
Gross transfers between funds	7	(521)	521	-	-	-
Net incoming/(outgoing) resources before other recognised gains and losses		(474)	(211)	(6)	(691)	(102)
Other recognised gains and losses						
Gains on investment assets	9	86	48	260	394	1,216
Actuarial losses on defined benefit pension scheme	13	(263)	-	-	(263)	(73)
Net movement of funds		(651)	(163)	254	(560)	1,041
Reconciliation of funds						
Total funds brought forward		8,030	3,285	9,525	20,840	19,799
Total funds carried forward		7,379	3,122	9,779	20,280	20,840

All incoming and outgoing resources derive from continuing operations. The Group has no gains and losses other than those recognised in this Statement of Financial Activities.

The accompanying notes form part of these financial statements.

Group and Charity Balance Sheets as at 31 March 2007

	Notes	Group 2007 £'000	Group 2006 £'000	RSA 2007 £'000	RSA 2006 £'000
Fixed assets					
Tangible fixed assets	8	6,845	6,893	6,845	6,893
Investments	9	12,766	12,301	12,766	12,301
		19,611	19,194	19,611	19,194
Current assets					
Debtors	10	863	788	1,176	1,286
Short term deposits and cash at bank		1,876	2,498	1,115	1,668
		2,739	3,286	2,291	2,954
Creditors: amounts falling due within one year	11	(1,549)	(1,400)	(1,101)	(1,068)
Net current assets		1,190	1,886	1,190	1,886
Total assets less current liabilities		20,801	21,080	20,801	21,080
Creditors: amounts falling due after more than one year					
Deferred life Fellowship income		(559)	(496)	(559)	(496)
Total assets less liabilities excluding pension asset		20,242	20,584	20,242	20,584
Pension asset		38	256	38	256
Total assets less liabilities including pension asset		20,280	20,840	20,280	20,840
Unrestricted income funds	12	7,379	8,030	7,379	8,030
Restricted income funds	12	3,122	3,285	3,122	3,285
Endowment funds	12	9,779	9,525	9,779	9,525
Total funds		20,280	20,840	20,280	20,840

The Financial Statements were approved by the Board of Trustees on 16 July 2007 and were signed on its behalf by:

Gerald Acher
Chairman

Philip Goldenberg
Treasurer

The accompanying notes form part of these financial statements.

Group Cash Flow Statement for the year ended 31 March 2007

	2007 £'000	2006 £'000
Net (outgoing)/incoming resources from operating activities	(624)	(542)
Returns on investments and servicing of finance	476	583
Capital expenditure and financial investment	(474)	(428)
(Decrease)/increase in cash	(622)	(387)

Notes to Group Cash Flow Statement

	2007 £'000	2006 £'000
Reconciliation of net incoming resources to net cash (outflow)/inflow from operating activities		
Net incoming resources for the year	(691)	(102)
Interest received and income from investments	(476)	(583)
Depreciation charges	451	439
(Increase)/decrease in debtors	(74)	(196)
(Decrease)/increase in creditors	211	(53)
The defined benefit pension fund payment in excess of charge	(45)	(47)
Net cash (outflow)/inflow from operating activities	(624)	(542)

Reconciliation of capital expenditure and financial investment

Payments to acquire tangible fixed assets	(403)	(213)
Payments to acquire investments	(71)	(215)
Capital expenditure and financial investment	(474)	(428)

Reconciliation of net cash flow to movement in net funds

(Decrease)/increase in cash in the year	(622)	(387)
Net funds at 1 April 2006	2,498	2,885
Net funds at 31 March 2007	1,876	2,498

Analysis of changes in net funds

	<i>1 April</i> 2006 £'000	<i>Cash</i> <i>Flows</i> £'000	<i>31 March</i> 2007 £'000
Short term deposits	1,564	(322)	1,242
Cash at bank	934	(300)	634
	2,498	(622)	1,876

The accompanying notes form part of these financial statements.

Notes to the Financial Statements 31 March 2007

I. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of preparation

The financial statements have been prepared in accordance with the Charities Act 1993, applicable accounting standards and under the historical cost accounting rules as modified by the revaluation of certain tangible fixed assets and the inclusion of fixed asset investments at market value; and follow the recommendations of Statement of Recommended Practice: "Accounting and Reporting by Charities" issued in March 2005.

The group financial statements comprise those of the RSA and its wholly owned subsidiary, RSA Adelphi Enterprises Limited. The results of the subsidiary are consolidated on a line by line basis.

Incoming resources

All incoming resources are accounted for on a receivable basis, with income relating to specific periods apportioned over the accounting periods to which it relates. Fellows' life subscriptions are accounted for over a period of twelve years from receipt. Restricted income is used in accordance with specific restrictions imposed by donors.

Resources expended

Expenditure is charged on an accruals basis, inclusive of irrecoverable VAT. The costs of generating voluntary income include expenditure directly incurred in supporting the Fellowship and incurred in seeking voluntary contributions. The costs of activities in furtherance of the RSA's objects include costs directly incurred in undertaking those activities. Where costs cannot be directly attributed to particular categories they have been allocated to activities on a headcount basis.

Tangible fixed assets and depreciation

Tangible fixed assets costing more than £500 are capitalised and included at cost including any incidental costs of acquisition. Tangible fixed assets are stated at cost with the exception of certain pictures, books and antiques which are stated at 1919 valuation and are not depreciated. Depreciation is calculated on the cost of the fixed assets on a straight line basis over the following expected useful lives:

Freehold premises:	200 years from 1978
Plant and machinery:	between 3 and 40 years
Furniture and fittings:	between 5 and 6 ¹ / ₂ years

Investments

Investment assets are included in the Balance Sheet at market value. Unrealised gains and losses on revaluation and realised gains and losses on disposal are taken to the Statement of Financial Activities and dealt with in the relevant fund.

Funds

Unrestricted funds may be spent in accordance with the RSA's charitable objects at the discretion of the Trustees. A designated fund has been established by the Trustees to finance the preservation of the structure of the House.

Restricted funds arise from specific grants for individual projects, appeal receipts for specific purposes and income derived from endowment funds which must be used for restricted charitable purposes.

The capital of permanent endowment funds is required to be retained in perpetuity, while the income must be used for restricted charitable purposes. The capital of expendable endowments may be used in specific circumstances, while the income must be used for restricted charitable purposes.

Notes to the Financial Statements 31 March 2007 continued

1. Accounting policies (continued)

Pension costs

For defined benefit schemes the amounts charged in resources expended are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the Group Statement of Financial Activities if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the Other recognised gains and losses.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the group, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis 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 currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the balance sheet.

For defined contribution schemes the amount charged to the Group Statement of Financial Activities in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

2. Subsidiary undertakings

RSA Adelphi Enterprises Limited

The company principally operates a hospitality business within the RSA House. It also undertakes any other activity regarded as 'trading'. It is a wholly owned subsidiary and is incorporated in England and Wales. Two members of the RSA Trustee Board sit on the board of directors but are not remunerated for this service.

The taxable profits are donated to the RSA each year by gift aid. The RSA's investment in the share capital is £100, represented by 100 shares of £1 each.

The financial information relating to the subsidiary is set out below:

	2007	2006
	£'000	£'000
Turnover	2,476	2,479
Expenditure	(1,801)	(1,856)
Profit for the year transferred by Gift Aid	675	623
Aggregate assets	1,257	1,096
Aggregate liabilities	1,257	1,096
Reserves	-	-

Notes to the Financial Statements 31 March 2007 continued

3. Incoming resources

2007

	<i>Voluntary income</i>	<i>Activities for generating funds</i>	<i>Investment income</i>	<i>Project grants and sponsorship</i>	<i>Other income</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Fellows and other subscriptions	3,567	-	-	-	6	3,573
Donations and legacies from individuals	218	-	-	113	-	331
Companies & commercial organisations	1	-	-	310	87	398
Charitable trusts and foundations	-	-	-	122	40	162
Public sector bodies	-	-	-	168	1	169
Trading activities	-	2,454	-	-	15	2,469
Unrestricted funds' bank deposit interest	-	-	89	-	-	89
Endowment funds' dividends & interest	-	-	360	-	-	360
Defined benefit pension scheme gains	-	-	25	-	-	25
Other sources	-	-	2	-	309	311
	3,786	2,454	476	713	458	7,887

2006

	<i>Voluntary income</i>	<i>Activities for generating funds</i>	<i>Investment income</i>	<i>Project grants and sponsorship</i>	<i>Other income</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Fellows and other subscriptions	3,154	-	-	-	12	3,166
Donations and legacies from individuals	532	-	-	23	-	555
Companies & commercial organisations	69	-	-	127	258	454
Charitable trusts and foundations	-	-	-	101	110	211
Public sector bodies	-	-	-	179	63	242
Trading activities	-	2,462	-	-	17	2,479
Unrestricted funds' bank deposit interest	-	-	102	-	-	102
Endowment funds' dividends & interest	-	-	458	-	-	458
Defined benefit pension scheme gains	-	-	21	-	-	21
Other sources	-	-	2	50	240	292
	3,755	2,462	583	480	700	7,980

Notes to the Financial Statements 31 March 2007 continued

4. Resources expended

	<i>Direct costs</i>	<i>Apportioned support costs</i>	<i>2007 Total</i>	<i>2006 Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Cost of generating funds				
Costs of generating voluntary income	1,186	1,381	2,567	2,703
Fundraising trading: costs of goods sold & other costs	949	852	1,801	1,855
Investment management costs	6	-	6	8
	2,141	2,233	4,374	4,566
Charitable activities				
Programme of projects	1,714	1,382	3,096	2,590
Lectures and conferences	388	406	794	678
	2,102	1,788	3,890	3,268
Governance costs	253	-	253	172
Other resources expended	61	-	61	76
	4,557	4,021	8,578	8,082

Resources expended exclude the value of work contributed by Fellows to the activities of the RSA and by secondees from project sponsors. Governance costs include the expenses associated with Trustee Board meetings, Trustee elections, maintaining our constitution, external audit and a proportion of core executive management (previously all executive management costs had been allocated to Governance - 2006 has been restated to give a true comparison). The external audit fee was £21,000 (2006 £32,800). Fees paid to the Auditors for non audit services were £3,200 (2006 £6,800).

5. Support costs broken down by activity

	<i>Cost of generating voluntary income</i>	<i>Fundraising trading</i>	<i>Programme of projects</i>	<i>Lectures and conferences</i>	<i>2007 Total</i>	<i>2006 Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Establishment	516	454	516	152	1,638	1,585
Executive and programme management	197	76	198	57	528	253
Finance	97	76	97	29	299	203
Information technology	81	38	81	24	224	148
Human resources	45	38	45	13	141	65
External communication and marketing	445	170	445	131	1,191	928
	1,381	852	1,382	406	4,021	3,182

Direct expenditure is allocated to categories of activity. Where expenditure cannot be directly allocated it represents support costs and is apportioned on a basis consistent with the use of resources, by reference to the number of staff and consultants working on each activity.

Notes to the Financial Statements 31 March 2007 continued

6. Trustee and staff costs

Trustees

Members of the Trustee Board and committees do not receive any remuneration for their services. Travel expenses reimbursed to 9 (2006 1) Trustees amounted to £4,400 (2006 £1,000). Charitable funds have been used to buy indemnity insurance for Trustees at a cost of £7,950 (2006 £9,900).

Staff

The average number of staff employed during the year, on a full time equivalent basis, was 98 (2006: 95) and the cost was:

	2007	2006
	£'000	£'000
Salaries	3,104	2,819
Employer's National Insurance contributions	316	287
Pension contributions	212	186
	3,632	3,292

The number of employees who earned more than £60,000 during the year was as follows:

	2007	2006
£60,001 to £70,000	2	3
£80,001 to £90,000	1	1

The number of higher paid employees accruing pension benefits was:

	2007	2006
a) Defined benefits scheme	-	1
a) Defined contributions scheme - group personal pension	3	3

The total contributions paid by the RSA into the defined contribution scheme for higher paid employees was £16,000 (2006: £18,000).

7. Transfers between funds

	<i>Unrestricted Funds</i>	<i>Restricted Funds</i>	<i>Endowment Funds</i>	<i>Total 2007</i>	<i>Total 2006</i>
	£'000	£'000	£'000	£'000	£'000
Programme of projects	(521)	521	-	-	-
	(521)	521	-	-	-

Notes to the Financial Statements 31 March 2007 continued

8. Tangible fixed assets

	<i>Freehold premises</i>	<i>Plant and machinery</i>	<i>Furniture & fittings</i>	<i>Pictures, books & antiques</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Cost or valuation					
At 1 April 2006	4,304	5,577	1,220	33	11,134
Transfers	-	19	(19)	-	-
Additions	-	335	68	-	403
Disposals	-	-	(70)	-	(70)
At 31 March 2007	4,304	5,931	1,199	33	11,467
Depreciation					
At 1 April 2006	524	2,739	978	-	4,241
Charge for the year	22	326	103	-	451
Disposals	-	-	(70)	-	(70)
At 31 March 2007	546	3,065	1,011	-	4,622
Net book values					
At 31 March 2007	3,758	2,866	188	33	6,845
At 1 April 2006	3,780	2,838	242	33	6,893

The freehold properties at 2, 4, 6 & 8 John Adam Street and 18 Adam Street are listed as historic buildings. The RSA is required by law to maintain these properties in their present form in perpetuity. The value of the freehold premises represents the historical cost of acquiring the freeholds plus the cost of improvements and additions to the buildings. It is a requirement of United Kingdom Accounting Standards that freehold buildings should be depreciated over their estimated useful lives. To meet this requirement a notional life of 200 years was attributed to the premises in 1978, and depreciation is therefore charged on that basis.

Fixed assets are stated at cost with the exception of certain pictures, books and antiques which are stated at 1919 valuation and are not depreciated.

Notes to the Financial Statements 31 March 2007 continued

9. Investment assets

Analysis of investment assets	<i>Unrestricted</i>	<i>Expendable</i>	<i>Permanent</i>	2007	2006
	<i>funds</i>	<i>endowment</i>	<i>endowment</i>	<i>Total</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Investments in Government and other listed securities and Charities Official Investment Funds at market values					
UK	-	5,547	768	6,315	7,165
Overseas	-	1,544	-	1,544	1,567
Alternative investments	-	4,284	-	4,284	3,019
Freehold property	600	-	-	600	514
Bank deposits	-	23	-	23	36
	600	11,398	768	12,766	12,301
Analysis of movement of investment assets					
Investments at 31 March 2006	514	11,041	746	12,301	10,870
Net additions	-	71	-	71	215
Revaluation gain	86	286	22	394	1,216
Investments at 31 March 2007	600	11,398	768	12,766	12,301

10. Debtors

	<i>Group</i>	<i>Group</i>	<i>RSA</i>	<i>RSA</i>
	<i>2007</i>	<i>2006</i>	<i>2007</i>	<i>2006</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Trade debtors	585	428	108	180
Prepayments and accrued income	203	306	203	306
Other debtors	75	54	865	800
	863	788	1,176	1,286

11. Creditors: amounts falling due within one year

	<i>Group</i>	<i>Group</i>	<i>RSA</i>	<i>RSA</i>
	<i>2007</i>	<i>2006</i>	<i>2007</i>	<i>2006</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Trade creditors	459	559	341	429
Accruals and project awards	351	375	326	353
Project deferred income	157	203	157	203
Other creditors	258	68	277	83
RSA Hospitality income received in advance	324	195	-	-
	1,549	1,400	1,101	1,068

Project deferred income relates to continuing work or to activities due to be undertaken in the coming year. The project deferred income which was brought forward from the previous year has been released in the current year.

Notes to the Financial Statements 31 March 2007 continued

12. Funds

a) Unrestricted funds - movements in year	Balance 1 April 2006 £'000	Income £'000	Expended £'000	Gain/(loss) £'000	Transfers £'000	Balance 31 March 2007 £'000
General reserves	7,835	6,813	(6,745)	(177)	(521)	7,205
House maintenance fund	195	-	(21)	-	-	174
	8,030	6,813	(6,766)	(177)	(521)	7,379

The general reserves include pension assets of £38,000 (2006 £256,000).

The house maintenance fund was created from unrestricted funds as a designated fund for the purpose of financing the ongoing costs of preserving the structure of the house. Donations to specified house improvements and any surplus on disposal of works of art are credited to this fund.

b) Restricted income funds - movements in year	Balance 1 April 2006 £'000	Income £'000	Expended £'000	Gains £'000	Transfers £'000	Balance 31 March 2007 £'000
Programme of projects	-	713	(1,234)	-	521	-
ShIPLEY fund	2,160	330	(480)	38	-	2,048
Vaults appeal fund	916	-	(48)	-	-	868
Dick Onians Creativity fund	37	1	(14)	1	-	25
Betro Trust	15	1	(1)	1	-	16
Lord Bossom Trust	14	1	-	1	-	16
James Cranstoun Bequest	2	8	-	-	-	10
Reflection Riding Fund	8	1	-	-	-	9
Sir John Stratton Scholarship	18	2	-	1	-	21
Dr Swiney's Bequest	31	4	-	2	-	37
Edward Boyle Fund	12	2	(2)	1	-	13
Edward Squires Fund	8	3	(9)	1	-	3
Angus Millar Trust	2	1	(3)	-	-	-
Forum Trusts	-	2	(2)	-	-	-
Other Trusts	62	5	(13)	2	-	56
	3,285	1,074	(1,806)	48	521	3,122

Conditional income has been received and spent in respect of the programme of projects. The net assets of the projects are nil.

The ShIPLEY fund is an expendable endowment, the income from which is used to support the RSA's programme of projects in furtherance of its charitable objects.

The Vaults Appeal fund of £1,972,000 was utilised in financing the capital expenditure associated with the Vaults development in 1989 and accordingly, the appropriate depreciation is charged to the fund from unrestricted funds.

The Dick Onians Creativity fund is made up from restricted donations given for specific grants. The net fund balance of £25,000 is invested in a cash deposit account.

The other endowment funds relate to a number of trusts set up by individual donors in support of specific purposes such as named lectures, preservation of historic buildings, awards to artists and student designers etc..

Notes to the Financial Statements 31 March 2007 continued

12. Funds - continued

c) Endowment funds trusts settled for specific purposes - movements in year	Balance 1 April 2006 £'000	Income £'000	Expended £'000	Gains £'000	Balance 31 March 2007 £'000
Shipleigh expendable endowment	8,557	-	(6)	214	8,765
Inspiring the Future expendable endowment	222	-	-	4	226
Betro Trust	8	-	-	-	8
Lord Bossom Trust	25	-	-	2	27
James Cranstoun Bequest	240	-	-	14	254
Reflection Riding Fund	8	-	-	1	9
Sir John Stratton Scholarship	28	-	-	2	30
Dr Swiney's Bequest	73	-	-	4	77
Edward Boyle Fund	55	-	-	3	58
Edward Squires Fund	74	-	-	5	79
Angus Millar Trust	43	-	-	2	45
Dick Onians Trust	25	-	-	1	26
Forum Trusts	56	-	-	3	59
Other Trusts	111	-	-	5	116
	9,525		(6)	260	9,779

d) Total funds	Balance 1 April 2006 £'000	Income £'000	Expended £'000	Gains £'000	Balance 31 March 2007 £'000
Expendable endowment funds	8,779		(6)	218	8,991
Permanent endowment funds	746	-	-	42	788
	9,525		(6)	260	9,779
Unrestricted funds	8,030	6,813	(7,287)	(177)	7,379
Restricted income funds	3,285	1,074	(1,285)	48	3,122
Total funds	20,840	7,887	(8,578)	131	20,280

e) Analysis of group net assets between funds	Fixed assets £'000	Investments £'000	Current assets £'000	Liabilities £'000	Fund balances £'000
Expendable endowment funds	-	8,761	230	-	8,991
Permanent endowment funds	-	788	-	-	788
	-	9,549	230	-	9,779
Unrestricted funds	6,845	600	2,005	(2,071)	7,379
Restricted income funds		2,617	504	1	3,122
Fund balances at 31 March 2007	6,845	12,766	2,739	(2,070)	20,280

e) Parent charity results	2007 £'000	2006 £'000
Incoming resources	5,403	5,502
Resources expended	(6,733)	(6,227)
Gift Aid income	639	623
Net incoming resources before other recognised gains	(691)	(102)
Other recognised gains	131	1,143
Net movement of funds	(560)	1,041

Notes to the Financial Statements 31 March 2007 continued

13. Pension schemes

The RSA operates two pension schemes for its employees. A defined benefit scheme which is now closed to new entrants, provides benefits based on final pensionable salary. The assets of the scheme are held separately from those of the charity and are invested with Scottish Widows plc. Contributions are determined by a qualified actuary from the above insurance company on the basis of triennial valuations using the projected unit method.

A full actuarial valuation was carried out at 1 April 2006 and updated to 31 March 2007 by a qualified actuary.

The major assumptions used for the actuarial valuations were:

	2007	2006	2005	2004
Discount rate	5.3%	4.9%	5.4%	5.5%
Rate of increase in salaries	3.0%	3.0%	3.0%	3.0%
Rate of increase in pension payments	3.0%	3.0%	3.0%	3.0%
Rate of inflation	3.0%	2.9%	2.8%	2.8%

The fair value of the assets in the scheme, the present value of the liabilities in the scheme and the expected rate of return at each balance sheet date were:

	2007		2006		2005	
	%	£'000	%	£'000	%	£'000
Equities	7.8%	619	7.4%	552	7.7%	412
Bonds	5.1%	1,066	4.7%	1,036	4.8%	923
Other	5.1%	5	4.7%	8	4.8%	9
Total fair value of assets		1,690		1,596		1,344
Present value of scheme liabilities		1,285		1,340		1,062
Surplus in the scheme and net pension asset		405		256		282

Under paragraph 41 of FRS17, the amount of surplus that can be recognised is the amount that can be recovered through reduced contributions calculated as the value of future service benefits less employee contributions. The surplus in the scheme has, therefore, been capped to:

Surplus after FRS17 capping	38	256	282
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In accordance with actuarial recommendations the average employer contribution rate for 2006/07 was 28.8% and the employee contribution rate was 5% of pensionable earnings. This is a closed scheme and therefore under the projected unit method the current service cost would be expected to increase as the members of the scheme approach retirement.

Notes to the Financial Statements 31 March 2007 continued

13. Pension schemes - continued

Analysis of the amount charged within resources expended	2007	2006				
	£'000	£'000				
Current service cost	35	53				
Past service cost	-	-				
Settlements and curtailments	-	-				
Total operating charge	35	53				
Analysis of the amount credited to investment income	2007	2006				
	£'000	£'000				
Expected return on scheme assets	91	78				
Interest on scheme liabilities	(66)	(57)				
Net return	25	21				
Analysis of the actuarial (loss)/gain recognised in the other recognised gains and losses	2007	2006				
	£'000	£'000				
Actual return less expected return on the scheme assets	(43)	135				
Experience losses arising on the scheme liabilities	(303)	(68)				
Changes in assumptions underlying the present value on the scheme liabilities	83	(140)				
Actuarial (loss)/gain recognised	(263)	(73)				
Movement in surplus during the year	2007	2006				
	£'000	£'000				
Surplus at beginning of the year	256	282				
Current service cost	(35)	(53)				
Contributions	55	79				
Net return from other finance income	25	21				
Actuarial (loss)/gain	(263)	(73)				
Surplus at end of the year	38	256				
History of experience gains and losses	2007	2007	2006	2006	2005	2005
	£'000	%	£'000	%	£'000	%
Difference between the expected and actual return on scheme assets	(43)		135		39	
- as percentage of scheme assets		3		8		3
Experience losses on scheme liabilities	(303)		(68)		(13)	
- as percentage of the present value of scheme liabilities		24		5		1
Total actuarial loss recognised in the other recognised gains and losses	(263)		(73)		7	
- as percentage of the present value of scheme liabilities		20		5		1

Notes to the Financial Statements 31 March 2007 continued

13. Pension schemes - continued

The RSA also operates a group personal pension scheme. The employer contributions are in the range of 5% to 15% and the employee contributions are 5% of pensionable salary. The assets of this scheme are invested with Scottish Equitable plc.

The Consolidated Statement of Financial Activities includes contributions by the charity to the defined contribution pension schemes of £273,000 (2006: £152,000).

14. Taxation

As a registered charity the RSA is not liable to taxation on its income and capital gains so long as they are used for its charitable purposes.

15. Related parties

There were no related party transactions, other than with the subsidiary company and advantage has been taken of the exemption available from disclosing these details.