

Companies House

**The Royal School of
Needlework**

**Annual Report and Consolidated
Financial Statements**

31 August 2020

Company Registration Number
12192 (England and Wales)

Charity Registration Number
312774



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Reference and administrative information

Patron	HRH The Duchess of Cornwall
President	HRH The Duchess of Gloucester
Council Members	Mr Andrew Palmer – Chairman* Mrs Elizabeth Braakenburg Dyce Ms Nicola Clarke* Prof Patsy Cullen Mrs Caroline De Guitaut Ms Victoria Farrow Mrs Morgan Fowles Miss Samantha Hoe-Richardson – Honorary Treasurer* Ms Deborah Lamb Ms Reena Pastakia* Mrs Stephanie Wright*
	*Member of the Finance and Investment Committee
Chief Executive	Dr Susan Kay-Williams
Registered office	Apartment 12A Hampton Court Palace East Molesey Surrey KT8 9AU
Auditor	Buzzacott LLP 130 Wood Street London EC2V 6DL
Bankers	Barclays Bank plc 8/12 Church Street Walton on Thames Surrey KT12 2QX
Investment managers	J M Finn & Co 4 Coleman Street London EC2R 5TA
Company registration number	12192 (England and Wales)
Charity registration number	312774

Chairman's Introduction Year to 31 August 2020

This report covers the period 1 September 2019 to 31 August 2020. It can, without doubt, be considered a year of two halves. The year began with a visit from our Patron, HRH The Duchess of Cornwall, to open the exhibition *Figures and Faces in Embroidery* and see the blackwork portrait of herself created by the RSN Studio team. It continued to March with good class numbers for the Certificate and Diploma programme (C&D), strong engagement from our Future Tutor and Degree students and the launch of the second US Summer School, scheduled for July 2020. Then, came COVID-19 and lockdown. The RSN went from delivering all classes face to face, to temporarily closing short courses and C&D programmes. Future Tutor and Degree students were sent home with as many materials as they could carry and within two days all classes and tutorials went online.

The teaching team reacted with immense speed to put information online and to set up online teaching, which is much more challenging for practical teaching than it is for the delivery of lectures.

The fastest adoption of online learning was by the Future Tutors as the focus of their teaching is on technical tuition on the different techniques. The actions that were taken by the Future Tutor team to realise online teaching were ones from which the whole organisation was able to learn.

The Degree students had completed most of their technical tuition for the year and were moving on to the project units, so were slightly better placed. They worked mostly through tutorials, with technical back up and support online. The decision was taken to extend the hand-in dates and maintain all the pastoral support the RSN offers throughout this period, as the students coped not just with their work but also with being away from friends, and in some cases the challenge of finding a peaceful space to study at home.

In particular, we were pleased that we had made the recent investment in IT. Without the work that had already been put in place and the drive and energy of the IT Manager, setting up Zoom and Teams, the RSN would not have been in a position to move forward as quickly as it did.

Meanwhile, all other staff also moved off site, setting up offices at home. For the Education team, the main focus was to look at establishing the future offering of the RSN, especially with regards to short courses and C&D which are the main income generating courses. Working with available Tutors, they pioneered online tuition for both short classes and C&D. Never afraid of a challenge, the first online group tuition was with three students in Australia.

For day classes everything changed, not just the planned programme but it was realised that online we could offer classes at different times of the day and evening and even offer classes on repeat occasions. This is potentially transformative.

Notwithstanding these pioneering activities, the RSN experienced a significant reduction in income, so it was imperative that the RSN made use of the Chancellor's Furlough scheme and initially 11 administrative staff and all eligible tutors and studio stitchers were put on this scheme. The only department that remained fully staffed was the Degree.

Chairman's Introduction Year to 31 August 2020

I would particularly like to thank the RSN Friends and supporters who rallied to help when the Chief Executive sent out an emergency appeal in April. They donated over £70K through direct donations, converting class payments to donations, buying goods in the shop and becoming RSN Friends which really helped to stabilise the situation at the most critical time.

The other vital department at this time was the RSN Shop as people sought things to do with their spare time. The online shop did strong business through the rest of the year and reached the end of the year ahead of budget.

The RSN Council members met regularly during this period, supplementing the diarised meetings with regular Zoom calls, sometimes weekly, to examine cash flow and also to start a wider review of the Strategic Plan. Clearly, however long the direct results of the pandemic might last, there were going to be enduring changes to programme delivery which needed to be considered now, to modify the strategic plan that was only put in place a year ago.

As the lockdown continued, even with furloughing, we had to look at ongoing costs. The year was clearly going to end in a very different financial position to that which had been budgeted and looking ahead the position for 2020-21 was not going to be that dissimilar, so further action had to be taken. The main outgoings for the RSN are rent and people. While it is not currently possible to reduce rent this only left people and it was decided that five roles would be made redundant, although aspects of two roles are being combined

The RSN finally returned to face-to-face teaching at the beginning of July but with social distancing this reduced class sizes from 12 students to six for the Certificate and Diploma. The only rooms which could be used for day classes, to be economically viable, were the Degree rooms so these could only be used while the degree was on vacation.

At the same time, the RSN made the most of offering activities to those with time on their hands and nowhere to travel in the summer by offering a range of online classes and this allowed us to test a number of options as to preferred timings.

By the end of the financial year, the staff team had worked incredibly hard, not simply to keep the RSN going but to forge a new future for it, where it can operate effectively both face to face and online. I would like to pay tribute to the staff who all worked long hours, especially during the early weeks of lockdown, to support students and keep people informed. The speed and content of communication was enhanced especially for newsletters and social media, staff experimented with new ways of working and above all were incredibly flexible with their time and willingness to learn and embrace new ways of working. As a result, the RSN is still here and has a potentially stronger future.



Andrew Palmer
Chairman

23/02/2021

Report of the Council Year to 31 August 2020

The Members of the Council (as Trustees), who are also the directors for the purposes of company law, present their annual report together with the audited consolidated financial statements of The Royal School of Needlework for the year ended 31 August 2020. The report has been prepared in accordance with the Charities Act 2011 and is also the group report of the directors for the purposes of the Companies Act 2006. The reference and administrative information set out on page 1 and the Chairman's Introduction set out on pages 2 to 3 also form part of the report.

The financial statements have been prepared in accordance with the accounting policies on pages 37 to 42 of the attached financial statements, and comply with the charitable company's memorandum and articles of association, the Charities Act 2011 and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and comply with the Office for Students' Accounts Direction 2019/20.

ACTIVITIES AND ACHIEVEMENTS

The Royal School of Needlework ('RSN') exists to offer practical education in the art and techniques of hand embroidery and to create, collect, conserve, interpret and display items of hand embroidery. The income and property of the charity are to be applied solely towards the promotion of the objects.

COVID-19 response

The RSN responded very speedily to the requirements of the lockdown and in moving the organisation forward to meet customer demand:

18 March	Final day of face to face teaching across all programmes
23 March	Degree and Future Tutors started online teaching All staff working from home
1 April	30 staff and tutors furloughed
2 April	First online interviews for Future Tutor candidates
3 April	Launch of RSN Postcard From Home Challenge
8 April	Launch of weekly e-news as public service and keeping in touch with our supporters
9 April	Emergency appeal sent out to all supporters by email
9 April	C&D one to one sessions started online
10-13 April	Over 200 retail orders received Easter Weekend
14 April	First of a series of Tuesday Council meetings to review cashflow and actions
16 April	Launch of the NHS Embroidered Heart Challenge
14 May	First online day class
2 & 9 June	Degree students handed in digitally for assessment

ACTIVITIES AND ACHIEVEMENTS (continued)

10 June	The Chief Executive holds the first Instagram Live event
23 June	Coronavirus policy was produced and approved by Council to set the framework for a return to face to face classes
30 June	Launch of the eighth self-paced RSN Online Course, Next Steps: Goldwork & Silk Shading with Tutor Chrissie Juno Mann, in partnership with David and Charles, delayed by the lockdown
1 July	eNews goes back to twice a month
2 July	End of term for continuing Future Tutors
6 July	Start of online teaching C&D for Australian students
9 July	Certificate and Diploma being taught face to face at Hampton Court
9 July	Online celebration of Degree awards
15 July	Retail offered click and collect to those coming to classes
July-August	Testing out different options for short classes
1-28 August	Future Tutors in to complete Studio modules
28 August	Graduation for Future Tutors live, with family online
August-Sept	Limited short classes at Hampton Court
4 Sept- 16 Oct	Assessment of pieces completed to August 2020

The initial impact was devastating but the reduced-size staff team, especially in the early days of the first lockdown, made a heroic effort to ensure that the RSN survived. Swift action by the staff team ensured that key programmes continued and that we learned quickly how to adapt our offerings to an online format. It was also about seeing the possibilities for the future, potentially attracting a much more international audience. While we look forward to being able to offer more classes at Hampton Court again, we will also continue to offer online courses and other activities to meet supporter needs worldwide.

Financial Impact

The immediate financial impact was in classes that we could not hold and therefore had to refund or defer the dates. As a charity we also asked people if they were willing to donate the class fees. Across Certificate and Diploma there was £108K of income for the period mid-March to August, a further £58K for short courses and £14K for private and bespoke lessons and tours. C&D is not refundable so was moved forward and on the short courses, £16K was donated. By the year end across all categories £43K had been refunded.

ACTIVITIES AND ACHIEVEMENTS (continued)

The active team took voluntary pay cuts of 20% or 10% for four months to help support the organisation. This was really appreciated by the Trustees, especially as at this time, with fewer staff available than normal, those working were putting in more hours than ever, such was the commitment of the staff team to the organisation and the students.

Online courses were charged at the same rate as they had been for the physical courses because, although we might not be utilising them, we were still paying for the physical classrooms.

The US Summer School had brought in over £98K but the RSN supporters had stuck with the organisation and £85K remained with the RSN for the future event.

The emergency appeal generated direct income of £69K, plus more than 35 new Friends memberships, both annual and life, and retail orders, including more than 200 orders over the Easter weekend.

Income from the online classes for short courses generated £11K between May and August. Income from C&D saw £46K recognised a mixture of carried forward and new money (April to August).

Cash flow was the most critical issue but with the help of the RSN Friends and supporters we did not have to dip into investments. As a precautionary measure, we have used the Bounce Back Loan Scheme created by the UK Government in response to COVID-19 to borrow £50,000. The loan is interest free if repaid within one year from the date the loan was drawn. We intend to repay it in full by July 2021.

COVID-19 summary

At this point COVID-19 has been simultaneously galvanising, exhausting, demanding, isolating, transformative, challenging and horizon broadening. In other words, the impact has been a heap of contradictions. Physically, it has driven us apart as staff work individually from home and away from some face-to-face teaching, but it has opened a number of opportunities that we can take forward.

The RSN and Public Benefit

As the RSN's mission is to keep hand embroidery alive, public benefit is an essential part of our raison d'être. However, this has come to the fore more than we imagined this year during lockdown, where stitch and hand stitch especially, have become a positive and powerful contributor to mental health and wellbeing.

NHS hearts – in response to a request from the University for the Creative Arts (UCA) to all its students, RSN student Lucy Martin, with support from Course Leader Angie Wyman, came up with the idea to support the NHS by embroidering the letters NHS in a heart. This led to extensive media coverage, promoted by the RSN, and more than 220 hearts were made and posted to Lucy's Instagram account. The impact of this was very positive for the RSN student, for those who made the hearts and in support of the NHS staff.

ACTIVITIES AND ACHIEVEMENTS (continued)

Postcards from Home was a campaign launched by the RSN during lockdown; it was for any stitchers and people new to stitch. It was based on the premise that as people were in their homes, this might be the source of inspiration for stitch or they could stitch about somewhere that meant something to them for example from their past, where they came from, their childhood bedroom. This was a longer project than NHS hearts and postcards are still being received. Those sending them in are using this campaign as a focus of both hand stitch skills and being an opportunity to think of somewhere or sometime different than lockdown.

Throughout the first lockdown period the RSN took great pains to communicate with people through all its online and social media platforms, to give a positive focus and show the variety of hand embroidery. It has featured work from our Collection, information from our history and given a platform to our graduating students on both the Degree and the Certificate and Diploma programmes as they were not able to show work physically. This was much appreciated by our followers:

Every time I read an e mail from the RSN I am reminded how hard you are all working, and all the issues you are dealing with so ingeniously and you get my very heartfelt gratitude and admiration. Keira a student at our Bristol satellite.

As a result of the lockdown we started offering beginners classes online – starting with an embroidered rainbow class, so some people chose to take this class as a commemoration of their lockdown experience.

The RSN has also continued its role as the international centre of hand embroidery excellence by teaching students in North America, Europe and Australia as well as the UK, through the online classes. Access to the classes for those in North America, is by running them 3pm to 9pm UK time, which is 10am - 4pm Eastern Summer Time in the US. This has been particularly appreciated.

Normally, the Chief Executive lectures extensively on behalf of the RSN. Before lockdown, this included many UK locations as well as an invitation to Winterthur, Delaware USA and Japan in January when visiting RSN tutor Emi Nimura and students. The purpose of these lectures is to spread the word about the RSN and to give many more people the opportunity to understand its work and learn how they might participate. While the physical lecture has had to be put on hold, the Chief Executive led the RSN's first, free, Instagram Live session. This reached over 150 people from more than 30 countries ranging from Argentina and Chile to South Korea and Japan via America, Canada, South Africa and many European countries. The impact was to make more people feel engaged with the RSN and want to be able to participate in classes in the future, whether online or in person. This has been furthered by putting online images of the works talked about from the RSN Collection which enabled our Instagram followers to talk to each other about the pieces and share their enjoyment through the stitch community.

We will be continuing this outreach through videoing and putting online a tour of the current exhibition and plan to offer this for future exhibitions so that people who cannot physically come to the exhibition can get a flavour of it.

ACTIVITIES AND ACHIEVEMENTS (continued)

Schools programme – this was ongoing and had been extended with a new option for students to stitch their mantra as a positive word or phrase. Information about this had gone out to existing participating schools but was just about to be launched to more participants in March. This will be picked up in the new academic year as the feedback from participating schools and pupils is that it has a calming and positive effect on pupils.

Degree and Future Tutor students have participated in shows in the first half of the year to offer stitch tuition and encouragement to new stitchers. For our students it gives them confidence in their abilities as stitchers and tutors.

Initiated by the Marketing Manager, the RSN made a partnership with a venue in Islington, north London, and when the original plans had to be amended due to COVID-19, Future Tutor Co-ordinator Kelley Aldridge recorded an introductory class, with support from colleagues, which was freely open to all with a follow on free class for a smaller number. Participants in the class came from a wide area: as far afield as Northumbria.

Through all of this outreach, we continue to fulfil our mission and support people's mental health and wellbeing in these challenging times.

Degree

This year there were 56 students across the three years. All year groups were working on their major projects when COVID-19 enforced lockdown. From March, all teaching went online. Most students were able to go home and communication was through Microsoft Teams. The RSN academic and technical teams worked extensively with the students through tutorials and peer sessions to encourage and support them. Materials and resources were put online, while Technical Support helped with garment construction and supplying hard-to-access threads and fabrics, to enable the students to keep working. The hand in deadline was put back, not least because of the delays in materials getting through, but students were kept in constant contact to keep them motivated and encouraged.

For the assessment, all students were asked to submit images of their work digitally and then, for the third years, there was an opportunity to present their work live to three reviewers so they could tell the panel about their ideas and how these had been executed. This allowed the team to see the thinking behind their projects and how they had brought them to fruition. It also gave the students an opportunity to reflect on the work and tell us of the challenges they had faced and how they overcame them.

ACTIVITIES AND ACHIEVEMENTS (continued)

A key part of the RSN Degree in hand embroidery, validated by UCA, is what are known as Live Projects. These are opportunities for RSN students to compete in open textile competitions, work on a particular project or meet a commercial brief. Students at all levels may get these opportunities, although they can change from year to year. This year students from all three years excelled in these opportunities and, as recommended by their tutors, the 2020 graduates have been active in following up a number of post-completion competitions, publications and exhibitions. As we say to the students, their work is not done when they submit their pieces for assessment, that is just the start and well considered and executed pieces may continue to have a life for several years after graduation for competitions or exhibitions.

Degree awards for 2019-20 included Sabina Lima (2nd year) runner up Bradford Textile Competition (Embroidery) and highly commended category Use of Wool. Hollie Philips, Felicity Billing, Millie Whitehead and Daisy Whitewere also highly commended for the Embroidery award. The first years entered the Worshipful Company of Glovers awards: Eliza Gomersall was runner up in the main category Function meets Fashion and Linnea Lyndon's entry was selected as the most commercial glove from all entrants across the competition. More than that, the RSN was awarded the prestigious Silver Salver for the Institution which has contributed most to the competition. Second years also participated in a project with Chinese female shoe brand Sheme. Originally the company were going to select two shoes to make into prototypes and potentially market. After the inevitable delay of lockdown, the company finally selected four shoes by Sabina Linda, Millie Whitehead, Eliza Tutere and Erin Ledsom.

This year the graduating students achieved their highest ever grades, beating the achievements of students two years ago by whom they had been particularly inspired. This year there were 10 firsts and 9 upper second degrees. Far from grade inflation these were particularly talented students, a fact reinforced by the external awards and recognition that the students have been selected or shortlisted for. Each year we encourage students to participate in the Hand and Lock Prize for Embroidery, the most prestigious hand embroidery award. This year seven RSN students have been shortlisted: five Degree thirds years, one Future Tutor third year and one Degree second year.

Three 2020 graduates have had their work selected for the publication *Talking Textiles*, entries for the book are selected by the director of Trend Union in New York, Li Edejlkoort. Each year the book features the work of graduates from around the world that she sees as leading the trends. As most of those selected are at Masters Level this is a great achievement for the three RSN students.

In this country, the Crafts Council was planning an exhibition of some of the best graduate work featuring crafts, although it has since had to go online. Three more RSN 2020 graduates have had their work selected for this show.

ACTIVITIES AND ACHIEVEMENTS (continued)

Future Tutors

The Future Tutors were the pioneers of the RSN moving online in terms of practical stitch teaching. They were faced with the potentially daunting challenge of learning two of the most demanding techniques - Whitework and Silk Shading - online but they rose to the challenge. They tested out different media, settling on Zoom and WhatsApp: by harnessing the power of their smart phones and WhatsApp, students could take images of their work which the tutor could enlarge to see the stitches in great detail. Students quickly discovered there was nowhere to hide. Since then they have enhanced their technology so that the tutor can not only see the completed stitch but can now see the student making the stitch, as this is as vital to good technique as the finished stitch. Seeing how the students took to their new way of working encouraged the education department that it would be possible to offer group sessions online for both short courses and the Certificate and Diploma.

The biggest challenge, though, was for the third years as they had to miss time in the Studio. This could not be rectified until August when the five who were due to graduate came back to be taught all the remaining conservation and restoration techniques that they had not covered, as well as how to make a set of church vestments in miniature. Although not ideal, this did ensure they had covered all the core, essential techniques. They had had a number of interesting items to work on earlier in the year including the transfer and recreation of a piece for the TV programme *Salvage Hunters: the Restorers*. Finally the five graduated at the end of August, watched by family and friends online.

The third years had, however, been able to work on their signature projects. This project has a very open brief, students can do anything they want, and ideally combining techniques but in this case they were also, for the first time, to meet the brief for the Hand and Lock Prize for Embroidery. The five projects were very different and they submitted images for the Prize for Embroidery, from those, one Future Tutor has been shortlisted for the main award for Textile Art and an ancillary award.

Education

The Certificate and Diploma course is the lifeblood of the RSN. It is a specialist course but taught part time so that it can be open to many. The RSN offers the course at its base in Hampton Court Palace ('HCP'), in four UK satellites, in Japan, and twice a year in America. Up to mid-March the programme was performing well. We were often teaching to a full class seven days a week at HCP and to good numbers in all our satellites. Starting with Japan, this stopped with the arrival of COVID-19. Initially we had to stop the programme completely. Then we looked at how we could offer aspects of it online but from survey results there seemed to be an aversion to this from UK and US students. The only ones who jumped at the online opportunity were our Australian and Far Eastern students.

Nevertheless, we pioneered a number of options with available tutors who were willing to try online teaching and paired them, initially with individual students to see how it would work. Early feedback from tutors and students was positive so we tried a number of different formats with the aim being to work back to the one tutor to six students model that we have in the classroom.

ACTIVITIES AND ACHIEVEMENTS (continued)

It was not until July that the RSN could re-open its teaching centre at HCP. However, after initial reluctance, when students saw what we had put in place for them they were keen to return. Albeit, that with social distancing we could only accommodate half the students we had previously and only on four days a week over the summer. So, as a result of this, one of the major areas of reduced income is through the Certificate and Diploma. With all the issues there were also no assessments after December 2019, no end of year show and no awards this year.

Looking ahead, we are aware that there is a group of people who want to study for the Certificate but they live too far away from any of our sites. They want to take the programme totally online. However, to start the programme online needs more consideration so that we set people up with a good understanding of what is needed from the beginning. This was being developed in the autumn with the aim of opening this opportunity in 2021.

We also had to close all our day classes from March, which was unfortunate as it is the second half of the year when we can normally hold the longer classes. However, we began looking at what might be possible working with tutors who had experience online. Finally, we offered our first online short course with Future Tutor Sarah de Rousset Hall whose motif was a rainbow. This went well but our North American supporters wanted to participate too. We then realised that with a change to the teaching time, we could offer classes to reach the east coast of the US. Through July and August, we offered a series of classes in drawing and stitch, experimenting with different times of day and different lengths of course, two and three-hour sessions, evenings as well as days. It was realised that potentially this could be very liberating for the range of classes that we could offer.

The take up of both C&D and short courses in the last two months of the year really helped contribute to a better end of year position than had been forecast. Many supporters also commented on how quickly and effectively the RSN had taken on board working in a different way. However, there was just one unforeseen aspect and that was the need to send out kits to people for the start of classes. After the first couple of months of lockdown UK postal services eased a bit and returned to a near normal service. The same could not be said of some international countries and we had to post as early as possible to get kits to their destination in time.

Short courses, bespoke classes, tours and partnerships

For this department, COVID-19 really wrecked what had been a promising year. We had the largest number of bespoke groups booked in for classes and tours in the summer. We had a growing range of partnerships including the Fashion and Textile Museum, V&A, Bath Fashion Museum and the D Day Story in Portsmouth, and were looking to add more partner organisations where there is a link to stitch and RSN tutors could offer classes. There was also a new exhibition planned, Stitch is international, which could not be held as we cannot know when we could next have visitors in the Studio. As with everything else, all these were cancelled and the responsible staff member put on furlough.

The plan for the future will be to hold special events like talks online to generate income and reach new people as well as regular visitors.

ACTIVITIES AND ACHIEVEMENTS (continued)

Studio

In the first half of the year the RSN held the exhibition *Faces and Figures in Embroidery* which was launched by the RSN Patron HRH The Duchess of Cornwall, who specifically came to see the portrait of herself in blackwork that had been created by the RSN Studio. The working of the face had been videoed using the time-lapse process so it showed in just a few minutes the work of two days, this had then been put on YouTube. When Her Royal Highness arrived she immediately recognised the RSN Studio member whom she had seen on film and thanked her for her work.

This began as a quiet year working on small pieces in the Studio. The stand out piece was for the television programme *Salvage Hunters: The Restorers* where the RSN studio transferred and brought back to life some 19th century embroidery and then added new elements. When finished the owner could not work out which were the new elements and which the old.

With lockdown the Studio had to close, however, the enforced time at home clearly led to many people tidying cupboards as the Studio has seen a surge of interest, with enquiries coming through the lockdown period and a steady flow of enquiries since the summer.

Marketing

Marketing plays a vital role in maintaining and building our audience. It was a busy first half of the year promoting the usual events and activities, with more and more activity moving to social media. However, when lockdown began, we initially had little to market except the retail offering, so instead the communications were much more about keeping our audience engaged and entertained especially while people were somewhat scared and overwhelmed by the pandemic.

We had to cut the marketing budget but the Head of Marketing,, used all the social media platforms she could to ensure that far from being forgotten, the RSN was seen as dynamic, proactive, engaged and offering positive messages and actions. During the lockdown period we held a competition for our 30,000th follower on Instagram; this was achieved within hours and at the year-end there were over 34,000 followers.

Marketing was particularly involved in Postcards from Home and the NHS hearts mentioned in the Public Benefit section. The eNews is normally a monthly newsletter of activities and a half monthly class availability schedule, for the first weeks of the pandemic it was transformed into a weekly communication. It talked about the RSN history, archive, Collection and our plans, again to inform and entertain people during the bleak period and it really fulfilled our public benefit role, as a positive public service.

ACTIVITIES AND ACHIEVEMENTS (continued)

Collection and Archive

During the first half of the year there were a number of queries about the Archive but these picked up during lockdown as people had time to research their ancestors, so the most asked question – ‘did my (relative) train/work at the RSN?’ has been asked several times a week. In most cases we cannot answer this as we do not have the capacity and working from home means there is not access to the archive. However, we did make use of the lockdown to tell people more about the history of the RSN and what is in the archive through the eNews. We particularly featured the photographs and some of the stories behind them.

It is planned that the Collection and Archive will be used for talks online in the future, to help show people what we have.

Retail

One of the positive stories of the lockdown was the RSN's retail operation. From the beginning of lockdown the shop was busy with orders, more than 200 just from the Easter Weekend. It quickly became clear that we needed more expertise and both the retail manager and assistant began working on site. This was particularly necessary in terms of keeping stock ordered in time to meet demand. The team also converted Studio 2 into a mailing operation. They were particularly pleased that the Studio tables could be raised to make packing items easier.

In a normal year, online sales might only be a fraction of the total sales, this year the retail operation reached its original total, even though the second half of the year was all online.

Distance Learning

The planned series of new self-paced courses with David and Charles came to an abrupt halt with lockdown and even the course filmed in February could not be launched for lack of material. It was eventually launched in June. There were reasonable sales of the kits available but again this was hampered by lack of materials at the beginning of the lockdown.

It is hoped that we can revive the planned subsequent programmes in 2021 as, even with online teaching now available, these offer more direct tuition that people can do when they have the time, rather than fitting into a schedule.

ACTIVITIES AND ACHIEVEMENTS (continued)

RSN Stitch Bank

The aim of the RSN Stitch Bank is to put every stitch in the world on to a digital resource as both an instructional guide and also a source of preservation for old stitches. Work on this initiative was going well in the first half of the year with developments to the web framework and we had trained a number of tutors to photograph and video the creation of the stitches. However, this all came to an abrupt halt with the lockdown when the team were furloughed. The original launch date of the first 500 stitches by July had to be put on hold but interest in the scheme continued during lockdown, attracting additional support which reinforced to us how important this initiative is. The project will be taken up again in the next financial year with the aim of launching in spring 2021 even if with fewer stitches than was originally anticipated.

IT

When we first went into lockdown, so much had to happen in such a short time almost all of which was focused on or through IT. All the things that we had worked on over the last three years really came to fruition at this point in making the enforced transition much smoother than it would otherwise have been.

Not that everything was plain sailing. It became expected that every time we wanted to do something new, like offer a class at a different time of day, the IT needed to be tweaked to accommodate the change. For the longer term it is helping us to determine what needs to be part of a bigger change on the system and just how far it will meet our needs.

Our IT manager has shown immense versatility in encouraging the system to work in different ways so that we can offer things like discounts and special offers that were not previously part of what we did, but all of which have paid off for us whether in income generated or elements of learning.

Friends

During the COVID-19 outbreak and the lockdown, the RSN Friends have been the most tremendous help to the RSN. They have supported the fundraising, they have bought items in the shop, they have tried out the online classes and they have sent messages of support and encouragement. Some former Friends even came back into the Friends this year. The RSN is extremely grateful to the Friends for this support and encouragement.

Staffing

A great deal of what has been achieved in the second half of the year has been achieved with a much smaller team than usual. Only the degree kept all its staffing during lockdown, elsewhere people doubled and tripled their roles and made the best out of the challenging situation, putting in many hours to ensure we would survive. New skills were acquired including working from home adjustments and preparing rooms for the new normal. Perhaps the staff member who had most challenge was interim Finance Director Elaine Ogle who was covering the FD's maternity leave, as the role became much more demanding.

ACTIVITIES AND ACHIEVEMENTS (continued)

The RSN has supported staff working from home with additional equipment to make them as effective as possible and the weekly team meeting of staff became a very important event as it brought most of the staff together. In addition, the Chief Executive decided to send out a weekly letter to all who were furloughed from the beginning of April. Initially, this was just for those furloughed but in the end was sent to everyone, furloughed and active, so all were kept informed and knew what had been happening. It is still sent out every Friday night. Following enquiry with recipients, this will be continued into the next academic year because although we now have more of the team back working, the limited on site access still means that many of the team are working individually so the regular updates keep everyone informed.

However, with a significantly reduced income we had to look at more drastic ways to cut costs. As the largest percentage of the RSN outgoings is on staff, we had few options but to look at reducing costs here. In the end, we had to make five roles/four people redundant, but have brought in one person to take on a combined role to support the Head of Education and Teaching.

During the first lockdown the Council took a pro-active approach to managing risk with sometimes weekly Zoom meetings to review the most urgent issues, usually around cash flow.

Fundraising declaration

The RSN has to earn or raise its income. Earned income comes from the courses it runs as part of its charitable mission. Funds are raised to support core programmes like the Future Tutors and bursaries for students on the Degree and Future Tutors and also to support new initiatives such as the RSN Stitch Bank and the digitisation of the RSN Collection and Archive. Usually these funds are raised primarily from charitable trusts and livery companies. This year, when earning income became more difficult, we looked to fundraise from Friends and supporters for our emergency appeal. Recipients could choose a number of ways to support the RSN: through a direct donation, by becoming or returning to being a Friend, by purchasing items from our shop or by becoming a subscriber to the RSN Stitch Bank.

The RSN complies with the fundraising code and complies with the GDPR requests of anyone who asks not to receive fundraising requests. This year, supporters and Friends were only specifically given this one request for support and they had a range of options as to how they could help. The RSN has received just one fundraising complaint this year following this mailing, from an international person who did not at the time realise that the RSN is a charity. Once explained this was rescinded.

Donors this year have included livery companies including the Broderers, Dyers, Girdlers, Gold and Silver Wyre Drawers, Haberdashers and Needleworkers as well as charitable trusts such as the Barbara Whatmore Foundation, the Weinstock Foundation, the Coats Foundation Trust and others which wish to remain anonymous. We also received many donations from our Friends and supporters from the UK, the US and elsewhere. The largest individual gift was for £30,000 for our emergency support from an RSN Life Friend.

The RSN is extremely grateful for all this help and support this year.

ACTIVITIES AND ACHIEVEMENTS (continued)

Review of overall performance

In the light of COVID-19, the RSN has managed remarkably well thanks to the swift action of Trustees and staff. Collectively, we made things happen at a speed that would not have been imagined just a few months before. The transition from face to face to online teaching was fast and we have learned from this for ongoing teaching. In terms of income generation while we could not physically make up for the months lost to the lockdown, we worked very hard to be able to offer courses online and to rebuild all our operations so that we continued to generate income. As a result, the financial picture was nowhere near as bad as it could have been.

The active staff team (those members of staff not on furlough) worked incredibly hard to keep awareness and momentum and this has paid off with a broader online presence and greater engagement with our activities, which can only augur well for the future.

The Trustees acknowledge and thank the staff team for their commitment and dedication over this year. It has been an extraordinary year.

FUTURE DEVELOPMENTS

The Year Ahead

During the year, the Trustees and senior staff have looked at the way forward, taking the opportunity to revise and update the strategic plan in the light of COVID-19. While in some ways COVID-19 has, of course, slowed us down and changed many plans, it has given us new opportunities that we need to capitalise on. In looking at the strategic plan, we have enhanced even further the role of IT, factored in online tuition for the long term, and focused the goals of the business plan to be more specific in the short term. As such, we might summarise the overarching themes for the next four years as 2020-21 stabilise, 2021-22 rebuild, 2022-23 celebrate (our 150th anniversary), 2023-24 growth.

While not forgetting the short term, the staff team is looking ahead to the anniversary year which actually straddles two financial years, as our opportunity to really use it as an effective launch pad for the future of the RSN.

FINANCIAL REVIEW

Financial report for the year

The consolidated statement of financial activities for the year shows a net deficit (before investment losses) of £121,680 (2018/19: surplus of £142,916).

FINANCIAL REVIEW (continued)

The overall income for the year 2019/20 amounted to £1,984,354 (2018/19: £2,357,491), a year on year decrease of 16%. Income from donations and legacies increased by 5% to £475,858 (2018/19: £454,451). In 2019/20 this includes £187,659 of grant income from the Government Job Retention Scheme. In 2018/19 a donation of £250,000 was received from the HB Allen Charitable Trust upon their closure. Donations and legacies remain an extremely important source of income, particularly for the Degree and Future Tutor programmes, neither of which receives any government funding, and for all new initiatives.

The trading subsidiary's income of £278,555 (2018/19: £352,549) decreased by 21% as the Studio was closed from the end of March due to lockdown.

Income from charitable School activities amounted to £1,059,988 (2018/19: £1,377,207) a 23% decrease year on year due to reduced activity in Certificate & Diploma and short courses from the end of March. Whilst online courses replaced face-to-face classes, the volume of sales was not enough to equal that delivered in 2018/19. Investment income of £169,953 (2018/19: £173,284) also decreased marginally.

The restricted fund income of £120,622 (2018/19: £152,584) consisted of resources earmarked for the Degree and Future Tutor programmes, the RSN Stitch Bank and Collection and Archive Digitisation Campaigns. The decrease compared with last year is mainly due to appeals to Friends being focused on unrestricted donations following the COVID-19 pandemic. Restricted expenditure of £180,204 (2018/19: £234,689) was incurred against the Degree and Future Tutor programmes, for the RSN Stitch Bank project and also the ongoing depreciation on the capital costs of the set-up of the new classrooms at Hampton Court Palace in 2015.

Total expenditure for the year of was £2,106,034, 5% less than the previous year (2018/19: £2,214,575). The RSN reduced all non-essential expenditure following lockdown.

Net realised and unrealised losses on investments for the year amounted to £22,433 (2018/19: £146,237 gains). At the balance sheet date, net assets totalled £5,300,695 (2019: £5,444,778) of which £2,158,779 (2019: £2,223,252) are unrestricted.

The Royal School of Needlework has an investment of £100 (2018/19: £100) in the share capital of RSN Enterprises Limited, a wholly owned company which is incorporated in England and Wales. The net trading income of the company for the year amounted to a deficit of £25,733 (2018/19: deficit of £11,332).

FINANCIAL REVIEW (continued)

Reserves policy and financial position

The Council has examined the requirements for free reserves, i.e. those unrestricted funds not invested in tangible fixed assets, designated for specific purposes or otherwise committed. The Council considers that, given the nature of the charity's work and the discretionary nature of a significant proportion of income, the level of free reserves should remain unchanged from last year at five months' total expenditure at any one time. Based upon budgeted expenditure levels for 2020/21, the maximum expenditure for five consecutive months would be in the region of £1,088,000. The Council is of the opinion that this provides sufficient flexibility to cover temporary shortfalls in incoming resources due to timing differences in income flows, adequate working capital to cover core costs and will allow the charity to cope with and respond to unforeseen emergencies whilst specific action plans are implemented.

The charity has total reserves of £5,300,695 (2019: £5,444,778). This includes endowment funds and restricted funds of £2,808,801 (2019: £2,828,428) and £328,295 (2019: £388,308) respectively and designated funds of £610,000 (2019: £610,000). After deducting funds represented by tangible fixed assets and shareholders' funds, this leaves free reserves at 31 August 2020 of £1,505,472 (2019: £1,588,618). There is currently an excess of free reserves over the target level of £1,088,000. Given the current economic uncertainty, the Council is of the opinion that the level of free reserves held is prudent at this time.

The Council has continued to formally designate £610,000 towards the planned developments within the strategic plan (2019: £610,000). The Council will review this designation on an ongoing basis. The funds that are designated are for future strategic projects, including the ongoing RSN Stitch Bank project and digitisation of the archive.

Investment policy

Under the Memorandum and Articles of Association, The Royal School of Needlework has the power to make any investments, which the Council sees fit. The Finance and Investment Committee keeps a close eye on investments and returns to ensure maximum benefit for the RSN and meetings are held regularly with the investment managers to ensure that the balance of the portfolio remains appropriate particularly given political uncertainties and the ongoing potential for market volatility.

The tenor of the investment policy remains to maintain the real value of the RSN funds through continued growth of the asset base, seeking to achieve this with an appropriate balance between sustained cash flow and capital growth, to generate over the long term, defined as a period of not less than five years, a total return on capital invested that reflects the risk appetite.

Investment policy (continued)

During the year, the Council also considered and reaffirmed its risk appetite for the investments, which has been mandated as medium. Markets continued to recover from the 23 March lows, and so by the charity's year end of 31 August 2020 the investment portfolio had risen to £5,338,754 this representing a gain of +4.3% in total return terms over the past quarter and +2.0% of unrealised gains over the past year (returns are net of fees). To that end, while the value of the investment portfolio had fallen back with the markets earlier in the year, it had recovered strongly, and as such the overall impact of COVID on the RSN's investment portfolio has been limited, if not negligible. Indeed, at 31 August 2020 the investment portfolio had a 9 year annualised return of +7.9% per annum (total return, net of fees).

STRUCTURE, GOVERNANCE AND MANAGEMENT

Constitution

The Royal School of Needlework was founded in 1872 and incorporated in England and Wales, on 16 April 1878 as a company limited by shares, the word 'limited' being omitted by licence of the then Board of Trade. The RSN is also registered as a charity with the Charity Commission, under the number 312774.

Council Members' Induction and Training

Normally, on appointment, Council members are provided with the Charity Commission publication about trustees' roles and responsibilities, are invited to come and spend a day with senior managers and their teams learning about the work of each team, and are provided with copies of the annual report, strategic plan and campaign presentation.

This year the first appointment was able to follow the usual route but the induction for the later appointments was all online, although one was able to visit the RSN and see people face to face in the summer. Council members have been provided with Charity Commission guidance on fundraising regulations. Council members are informed of training courses run by our advisors, which they may attend.

Organisational Structure and Key Management

The key management personnel of the RSN in charge of directing and controlling, running and operating the charity comprise the Council and the Chief Executive, Dr Susan Kay-Williams. The Chief Executive is supported in day-to-day operations by a small senior management team and other staff. The RSN is a small organisation with at most only three levels of hierarchy but in practice, much of it operates at a more hands-on level.

The salary of the Chief Executive is set by the Council. The salaries of all staff are considered annually by the Finance and Investment Committee and approved by the Council.

As at 31 August 2020, the RSN employed seven full time and 17 part-time management and administrative staff and core teams of eight part time stitchers in the Studio and 21 part time tutors of whom two full time, six part time, six stitchers and 16 tutors were on furlough or flexible furlough. In addition, there are around 20 volunteers who in normal times assist with the library, Studio Talk and Tours, marketing and data entry, but since lockdown only three have been able to assist.

Report of the Council Year to 31 August 2020

Trading subsidiary

The RSN has a wholly owned trading subsidiary RSN Enterprises Limited, a company incorporated in England and Wales with a share capital of £100. The principal activity of the company is that of undertaking the commercial and retail activities of The Royal School of Needlework. The company comprises the RSN Studio, which undertakes commissions for individuals and public bodies and a retail outlet within the premises of The Royal School of Needlework. The retail outlet also offers products for sale via its website.

All taxable profits of the trading subsidiary are donated to the School under the Gift Aid scheme. During the year the company made a loss of £25,733 (2018/19: loss of £11,332).

This report is approved by the Council on 23 February 2021 and signed on its behalf by:



Andrew Palmer
Chairman



Susan Kay-Williams
Chief Executive

Statement of Corporate Governance and Internal Control Year to 31 August 2020

The following statement is provided to enable readers of the annual report and financial statements of the Royal School of Needlework to obtain a better understanding of its governance and legal structure. The statement covers the period from 1 September 2019 to 31 August 2020 and up to the date of the approval of the annual report and financial statements.

The Royal School of Needlework endeavours to conduct its business;

1. Having due regard to the UK Corporate Governance Code 2018 in so far as it is applicable to the Higher Education Sector.
2. Complying with Office for Students on-going conditions or regulations and terms of conditions of funding as well as other regulatory responsibilities.

We have adopted the UK Corporate Governance Code. We have reported on our Corporate Governance arrangements by drawing upon best practice available, including those aspects of the UK Corporate Governance Code that we consider relevant to the Higher Education Sector.

The Trustees recognise that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times.

Legal Status

The Royal School of Needlework is a registered charity and a private company limited by shares. The trustees are the shareholders and their liability is limited to the value of shares held.

The Trustees, who are also Council Members and referred to as both in this report, confirm that they have due regard for the Charity Commission's guidance on public benefit and that the required statement appears elsewhere within these financial statements.

Council and Trustees

The governing body of the RSN is the Council. This comprises the Chairman, Honorary Treasurer and up to 12 ordinary members.

Members of the Council (who are also Trustees of The Royal School of Needlework for the purposes of charity law) who served during the year and up to the date of this report were:

Statement of Corporate Governance and Internal Control Year to 31 August 2020

Council members (Directors)	Appointed / Retired
Mr Andrew Palmer (Chairman)*	
Mrs Elizabeth Braakenburg Dyce	
Ms Nicola Clarke*	
Prof Patsy Cullen	Appointed 23 June 2020
Mrs Caroline De Guitaut	
Ms Victoria Farrow	Appointed 23 June 2020
Mrs Morgan Fowles	
Miss Samantha Hoe-Richardson (Honorary Treasurer)*	
Ms Deborah Lamb	
Prof John Miles	Retired 17 February 2020
Ms Reena Pastakia	Appointed 17 February 2020
Mrs Sharan Wicks	Retired 18 December 2019
Mrs Stephanie Wright*	

* indicates members of the Finance and Investment Committee, which met five times during the year under the chairmanship of the Honorary Treasurer.

In addition to the Council there is one committee which reports to the Council:

The Finance and Investment Committee, usually meets four times a year and ensures that the finances of the RSN are well managed and accurately reported, and that the investments are handled in accordance with the agreed risk appetite.

In response to the impact of COVID-19, in addition to the planned meetings, the Trustees met online on a number of Tuesday evenings especially through April to June and an extra Finance and Investment Committee was added in July. The planned Council meeting was moved to the end of August to give additional time for the preparation and discussion of budgets for 2020-21.

During the year working parties comprising Trustees and staff have looked at the RSN Strategic Plan and at the potential exhibition at the Fashion and Textile Museum in 2022.

Board of Trustees' interests

The Board of Trustees are shown above and except for any instance mentioned above have served throughout the year.

All Council Members at 31 August 2020 held one £10 share (2019: one £10 share) in the capital of the charitable company.

The Finance Director maintains a register of financial and personal interest of the members of the Council. This can be obtained by contacting Hannah Warwick at the RSN's registered office (see page 1).

Statement of Corporate Governance and Internal Control Year to 31 August 2020

Statement of the Council's responsibilities

The Council Members (who are also directors of The Royal School of Needlework for the purposes of company law) are responsible for preparing the report of the Council and financial statements in accordance with applicable law and United Kingdom Accounting Standards (UK Generally Accepted Accounting Practice).

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

- ◆ select suitable accounting policies and then apply them consistently;
- ◆ observe the methods and principles in Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102);
- ◆ make judgements and estimates that are reasonable and prudent;
- ◆ state whether applicable United Kingdom Accounting Standards have been followed, subject to any material 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 Council is responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006 and the Charities Act 2011. They are also responsible for safeguarding the assets of the charitable company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Each of the Council Members confirms that:

- ◆ so far as the Council Member is aware, there is no relevant audit information of which the charitable company's auditor is unaware; and
- ◆ the Council Member has taken all the steps that he/she ought to have taken as a trustee in order to make himself/herself aware of any relevant audit information and to establish that the charitable company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

The Council is responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of Corporate Governance and Internal Control Year to 31 August 2020

Meeting Procedures

Formal agendas, papers and reports are supplied to the Board of Trustees in a timely manner, prior to Council meetings. Briefings are also provided on an ad hoc basis. Reports include overall financial performance of the organisation together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel related matters such as health and safety issues. The Council met formally 6 times in 2019/20.

The Royal School of Needlework has a strong and independent non-executive element and no individual or group dominates its decision-making process. The organisation considers that each of its non-executive members is independent of management and free from any business or other relationship which could materially interfere with exercise of their independent judgement.

There is a clear division of responsibility in that the roles of the Chairman and Accounting Officer are separate.

Appointment to Council

Council members serve a term of three years and may serve a second term of three years before retirement.

Approximately biennially, the Council members undertake a skills analysis, the Chairman and the Chief Executive review the skills available, the likely retirement dates of Council members and the future needs of the charity in order to start searching for new potential Council members. As a result of that and the resignation of the academic Trustee, the Chief Executive and Chairman undertook the search for additional Trustees during 2019-20 and three appointments were made including a new academic Trustee. We are grateful for the support of Ian Lazarus and colleagues of SaintyHird in helping us to identify potential Trustees.

Council Performance

The Council has made a strong contribution to the improvements made in 2019/20 through the setting of challenging targets with regular scrutiny of performance. There is strong performance management at Council meetings. The Council provides robust scrutiny and challenge. Trustees are pro-active in their oversight of the organisation and are involved in the planning and discharging of Council business.

Committees

Finance and Investment Committee

The Finance and Investment Committee is responsible to the Council of Trustees in discharging its responsibilities for monitoring the integrity of the RSN's financial statements, the effectiveness of financial controls with regard to internal risk assessment, the performance and objectivity of external auditors and the performance of investments.

Finance and Investment Committee (continued)

The Committee is responsible for the following:

- To appoint external auditors and agree the audit fee, meet with the external auditors to discuss the scope and nature of the audit and to discuss the findings included within the management letter and management responses.
- To take the lead in reviewing the financial risks, aiming to minimise and mitigate any that appear or will potentially impact the charity and that are within its power to affect.
- To satisfy itself that satisfactory arrangements are in place to manage the RSN's investments and to monitor their performance

Internal Control

Scope of responsibility

The Council is ultimately responsible for the organisation's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Council has delegated the day-to-day responsibility to the Chief Executive, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the organisation's policies, aims and objectives, whilst safeguarding the public funds and assets. The Chief Executive is also responsible for reporting to the Council any material weaknesses or breakdowns in internal control.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure and can only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of organisation policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place at the organisation for the year ended 31 August 2020 and up to the date of approval of the annual report and financial statements.

Risk management

The Council and senior managers have reviewed the principal financial, reputational, operational and governance risks that might impact on the organisation during the year, especially in the light of Covid and its impact and updated the risk register accordingly. The review enables the RSN to reflect upon the impact of both internal and external changes and the longer-term impact they may have, ensuring that mitigation is updated to respond to the changes. While known risks can be mitigated there will always be unanticipated events of which COVID has been an unwelcome example.

Statement of Corporate Governance and Internal Control Year to 31 August 2020

Risk management (continued)

The Finance and Investment Committee continues to take the lead in reviewing the financial risks, aiming to minimise and mitigate any that appear or will potentially impact the charity and that are within its power to affect.

The Council has reviewed the RSN's internal financial controls and is satisfied that these are appropriate in minimising any risks to its funds.

The top four risks that could have a negative impact on achieving the RSN's strategic plan have been identified as:

1. Cashflow – a very robust approach was taken from the start of the original lockdown, which involved halting all expenditure, asking people if they would donate class fees or at least leave them with us for a future class and an appeal for funds for immediate use. This combined approach really helped in the early days. Since then we have re-opened Certificate and Diploma teaching in person as well as online and offered a wide range of online short classes to bring in new funds. We will also be planning an online Summer School in 2021 to meet the needs of students and generate new income. This continues to be monitored on a regular basis.
2. Students not wishing to participate unless in person, not willing to go online. While the initial response was slow, once students saw what measures had been put in place, and shared that with colleagues we have had a positive response from students to attending classes of the Certificate and Diploma in person at Hampton Court and later at our satellites. While we are still persuading some Certificate and Diploma students to attend online, we are making up for some of this with our short course online offerings where we have reached new audiences, been able to run longer courses and at different times of the day.
3. IT systems – with the move to so much online, the need for robust IT systems is even more important. Staff have learned quickly about methods of online delivery and our IT manager has been reviewing many of our systems to upgrade in an ongoing way. We will be looking at the needs of the organisation going forward so that IT is enhanced and kept updated in the short term, with a wider review of future needs in the medium term.
4. Challenges of running the degree programme – because many of our students live in shared accommodation and need to use public transport to get here, this is the most challenging group. We have effective measures in place to keep all the three year groups in bubbles, to limit the number of days the students have to come in and giving them the freedom to work from home. We are even accommodating students who have stayed away this term in order to better manage their health and time and yet still play a full role in the course.

Statement of Corporate Governance and Internal Control Year to 31 August 2020

Review of effectiveness

As the Accounting Officer, the Chief Executive has responsibility for reviewing the effectiveness of the system of internal control. The Chief Executive review of the effectiveness of the system of internal control is informed by:

- the work of the external auditors;
- the work of the senior managers within the organisation who have responsibility for the development and maintenance of the internal control framework; and
- comments made by the organisation's financial statements and regularity auditors in their management letters and other reports.

There are no significant internal control weaknesses reported for the period.

The senior management team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments. The senior management team and the Finance and Investment Committee also receive regular reports, which include recommendations for improvement. The Council agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team and the Finance and Investment Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2020 meeting, the Board of Trustees, carried out the annual assessment for the year ended 31 August 2020 by considering documentation from the senior management team, and taking account of events since 31 August 2019.

Based on above and reports by the Chief Executive, the Council is of the opinion that the organisation has an adequate and effective framework for governance, risk management and control to manage the achievements of the organisation's objectives for the year ended 31 August 2020 and it has fulfilled its statutory responsibility for "the effective and efficient use of resources, the solvency of the institution and the safeguarding of their assets".

Regularity, propriety, and compliance

The organisation has considered its responsibility to notify the Office for Students of material irregularity, impropriety and non-compliance with Office for Students terms and conditions of funding.

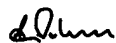
We confirm, on behalf of the organisation, that after due enquiry and to the best of its knowledge, the Council believes it is able to identify any material irregularity or improper use of funds by the organisation, or material non-compliance with terms and conditions of funding under the organisations financial regulations. As part of our consideration we have had due regard to our financial regulations. We confirm that no instances of material irregularity, impropriety or funding non-compliance have been discovered to date. If any instances are identified after the date of this statement these will be notified to the Office for Students.

Statement of Corporate Governance and Internal Control Year to 31 August 2020

Going Concern

Details on Board's going concern assessment are set out on page 38.

Approved by order of the Board of Trustees and signed on its behalf by:



Andrew Palmer

Chair

Date: 23 February 2021



Susan Kay-Williams

Chief Executive

Independent auditor's report to the members of The Royal School of Needlework

Opinion

We have audited the financial statements of The Royal School of Needlework (the 'parent charitable company') for the year ended 31 August 2020 which comprise the consolidated statement of financial activities, the consolidated and parent charitable company's balance sheets, the consolidated statement of cash flows, the principal accounting policies and the notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- ◆ give a true and fair view of the state of the group and parent charitable company's affairs as at 31 August 2020 and of the group's income and expenditure for the year then ended;
- ◆ have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- ◆ have been prepared in accordance with the requirements of the Companies Act 2006;
- ◆ where applicable, funds from whatever source administered by the provider for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- ◆ where applicable, funds provided by the OfS and by Research England have been applied in accordance with the relevant terms and conditions; and
- ◆ meet the requirements of the Office for Student's Accounts Direction 2019/20.

We have nothing to report in respect of the following matter in relation to which the OfS Accounts Direction 2019/20 requires us to report to you if, in our opinion:

- ◆ the charitable company's grant and fee income, as disclosed in note 1 to these Financial Statements has been materially misstated.

Basis for opinion

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

Independent auditor's report Year to 31 August 2020

Conclusions relating to going concern

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

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

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- ◆ the information given in the report of the Council for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- ◆ the report of the Council has been prepared in accordance with applicable legal requirements.

Independent auditor's report Year to 31 August 2020

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and parent charitable company and their environment obtained in the course of the audit, we have not identified material misstatements in the report of the Council.

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

- ◆ adequate accounting records have not been kept by the parent charitable company or returns adequate for our audit have not been received from branches not visited by us; or
- ◆ the charitable parent company financial statements are not in agreement with the accounting records and returns; or
- ◆ certain disclosures of Council members' remuneration specified by law are not made; or
- ◆ we have not received all the information and explanations we require for our audit; or
- ◆ the Council members were not entitled to take advantage of the small companies' exemption from the requirement to prepare a strategic report.

Responsibilities of Council members

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Independent auditor's report Year to 31 August 2020

Use of our report

This report is made solely to the parent charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and the charity's Council members, as a body, in accordance with Section 144 of the Charities Act 2011 and with regulations made under Section 154 of that Act. Our audit work has been undertaken so that we might state to the parent charitable company's members and the parent charitable company's Council members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the parent charitable company, the parent charitable company's members as a body and the parent charitable company's Council members, as a body, for our audit work, for this report, or for the opinions we have formed.



Katharine Patel, Senior Statutory Auditor
for and on behalf of Buzzacott LLP, Statutory Auditor
130 Wood Street
London
EC2V 6DL

Date: 1 March 2021

Consolidated statement of financial activities (including the Income and Expenditure Account) Year ended 31 August 2020

		Unrestricted funds £	Restricted funds £	Endowment funds £	2020 Total funds £	2019 Total funds £
Income and expenditure	Notes					
Income from:						
Donations and legacies	1	355,196	120,662	—	475,858	454,451
Investments	2	169,953	—	—	169,953	173,284
Other trading activities	3	278,555	—	—	278,555	352,549
Charitable activities						
• School activities	4	1,059,988	—	—	1,059,988	1,377,207
Total income		1,863,692	120,662	—	1,984,354	2,357,491
Expenditure on:						
Raising funds	5	400,126	13,250	—	413,376	486,209
Charitable activities						
• Costs of school activities	6	1,517,704	166,954	8,000	1,692,658	1,728,366
Total expenditure		1,917,830	180,204	8,000	2,106,034	2,214,575
Net (expenditure)/income before investment gains and losses	8	(54,138)	(59,542)	(8,000)	(121,680)	142,916
Realised losses on investments	11	(62,920)	(2,870)	(70,781)	(136,571)	(64,552)
Unrealised gains on investments	11	52,585	2,399	59,154	114,138	210,789
Net movement in funds		(64,473)	(60,013)	(19,627)	(144,113)	289,153
Reconciliation of funds:						
Fund balances brought forward at 1 September 2019		2,223,252	388,308	2,828,428	5,439,988	5,150,835
Fund balances carried forward at 31 August 2020		2,158,779	328,295	2,808,801	5,295,875	5,439,988

Balance sheets 31 August 2020

	Notes	Group		Charity	
		2020 £	2019 £	2020 £	2019 £
Fixed assets					
Tangible assets	9	43,307	24,635	43,307	24,635
Investments	11	5,338,754	5,402,282	5,338,854	5,402,382
		5,382,061	5,426,917	5,382,161	5,427,017
Current assets					
Stocks	12	71,753	76,080	29,474	29,625
Debtors	13	133,595	116,688	197,682	182,539
Cash at bank and in hand		417,199	378,054	376,711	351,671
		622,547	570,822	603,867	563,835
Creditors: amounts falling due within one year	14	(655,580)	(552,961)	(593,794)	(528,600)
Net current (liabilities)/assets		(33,033)	17,861	10,073	35,235
Creditors due in more than one year	15	(48,333)	—	(48,333)	—
Total net assets		5,300,695	5,444,778	5,343,901	5,462,252
Represented by:					
Capital and reserves					
Called up share capital	16	260	280	260	280
Capital redemption reserve	17	4,560	4,510	4,560	4,510
		4,820	4,790	4,820	4,790
The funds of the charity:					
Endowment funds	18	2,808,801	2,828,428	2,808,801	2,828,428
Restricted funds	19	328,295	388,308	328,295	388,308
Unrestricted funds:					
General fund		1,548,779	1,613,252	1,591,985	1,630,726
Designated fund	20	610,000	610,000	610,000	610,000
		5,295,875	5,439,988	5,339,081	5,457,462
		5,300,695	5,444,778	5,343,901	5,462,252

Approved by the Council of Members on 23 February 2021 and signed on its behalf by:



Andrew Palmer
Chairman



Samantha Hoe-Richardson
Honorary Treasurer

The Royal School of Needlework: Company Registration Number 12192

Consolidated statement of cash flows Year to 31 August 2020

	Notes	2020 £	2019 £
Cash flows from operating activities:			
Net cash (used in)/provided by operating activities	A	(193,362)	35,205
Cash flows from investing activities:			
Investment income		169,953	173,284
Purchase of tangible fixed assets		(28,571)	(5,282)
Proceeds from the disposal of investments		807,633	378,231
Purchase of investments		(653,932)	(614,462)
Net cash provided/(used in) by investing activities		295,083	(68,229)
Cash flows from financing activities:			
Repurchase of share capital		(20)	(10)
Increase in capital redemption reserve		50	10
New loan financing		50,000	—
Net cash provided by financing activities		50,030	—
Change in cash and cash equivalents in the year		151,751	(33,024)
Cash and cash equivalents at 1 September 2019		385,672	418,696
Cash and cash equivalents at 31 August 2020	B	537,423	385,672

Notes to the statement of cash flows for the year to 31 August 2020

A Reconciliation of net movement in funds to net cash used in operating activities

	2020 £	2019 £
Net movement in funds (as per the statement of financial activities)	(144,113)	289,153
Adjustments for:		
Depreciation charge	9,899	28,398
Losses (gains) on investments	22,433	(146,237)
Investment income	(169,953)	(173,284)
Decrease (increase) in stocks	4,327	(11,682)
(Increase) decrease in debtors	(16,907)	20,665
Increase in creditors	100,952	28,192
Net cash (used in)/provided by operating activities	(193,362)	35,205

B Analysis of cash and cash equivalents

	2020 £	2019 £
Cash at bank and in hand	417,199	378,054
Cash held by investment managers	120,224	7,618
Total cash and cash equivalents	537,423	385,672

Consolidated statement of cash flows Year to 31 August 2020

C Reconciliation of net debt

	At 1 September 2019 £	Cash flows £	At 31 August 2020 £
Cash at bank and in hand	385,672	151,753	537,425
Bank loan	—	(50,000)	(50,000)
Total cash and cash equivalents	385,672	101,753	487,425

Principal accounting policies Year to 31 August 2020

General information

The Royal School of Needlework is a company, limited by shares and is registered in England and Wales. The registered number is 12192 and the registered office is Apartment 12A, Hampton Court Palace, East Molesey, Surrey, KT8 9AU.

The principal accounting policies adopted, judgements and key sources of estimation uncertainty in the preparation of the financial statements are laid out below.

Basis of preparation

These financial statements have been prepared for the year to 31 August 2020.

The financial statements have been prepared under the historical cost convention with items recognised at cost or transaction value unless otherwise stated in the relevant accounting policies below or the notes to these financial statements.

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (Charities SORP FRS 102), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102), the Charities Act 2011 and the Companies Act 2006.

The charity constitutes a public benefit entity as defined by FRS 102.

The financial statements are presented in sterling and are rounded to the nearest pound.

Critical accounting estimates and areas of judgement

Preparation of the financial statements requires the Council Members and management to make certain judgements and estimates.

The items in the financial statements where these judgements and estimates have been made include: stock provisions, estimating the useful economic life of tangible fixed assets and legacy recognition.

In addition to the above, the full impact following the recent emergence of the global coronavirus pandemic is still unknown. It is therefore not currently possible to evaluate all the potential implications for the charity's activities, beneficiaries, funders, suppliers and the wider economy. Estimates used in the accounts, particularly with respect to the value of listed investments (see note 11) are subject to a greater degree of uncertainty and volatility.

As set out in these accounting policies under "going concern", the Council has considered the impact of the pandemic on the charity and has concluded that although there may be some negative consequences, it is appropriate for the charity to continue to prepare its accounts on the going concern basis.

Principal accounting policies Year to 31 August 2020

Assessment of going concern

The Council has assessed whether the use of the going concern assumption is appropriate in preparing these financial statements. The Council has made this assessment in respect to a period of one year from the date of approval of these financial statements.

The Council has concluded that there are no material uncertainties related to events or conditions that may cast significant doubt on the ability of the charity to continue as a going concern. The Council is of the opinion that the charity will have sufficient resources to meet its liabilities as they fall due. The RSN currently has unrestricted reserves that are £417k in excess of the level set in its reserves policy. Cash flow is being monitored closely and since the start of the COVID-19 pandemic there has been no need to liquidate investments. The most significant areas of judgement that affect items in the financial statements are detailed above. With regard to the next accounting period, the year ending 31 August 2021, the most significant areas that affect the carrying value of the assets held by the charity are maintaining a blended model of online and in-person classes as the COVID-19 pandemic continues, the level of donations and legacies, the level of investment return and the performance of the investment markets.

Consolidation

Consolidated financial statements ("group financial statements") have been prepared in respect of the charity and its wholly owned subsidiary, RSN Enterprises Limited. The results of RSN Enterprises Limited have been consolidated on a line-by-line basis.

A separate statement of financial activities for the charity itself is not presented because the charity has taken advantage of the exemptions afforded by the Charities SORP FRS 102. The company has also taken advantage of the exemption in the Companies Act 2006 Section 408 not to present its own statement of financial activities. Net deficit of £107,750 (2018/19: £300,486 surplus) is attributable to The Royal School of Needlework.

Income recognition

Income is recognised in the period in which the charity has entitlement to the income, the amount of income can be measured reliably and it is probable that the income will be received.

Income comprises donations and legacies, grants, investment income, income from trading activities and school income.

Donations are recognised when the charity has confirmation of both the amount and settlement date. In the event of donations pledged but not received, the amount is accrued when the receipt is considered probable. In the event that a donation is subject to conditions that require a level of performance before the charity is entitled to the funds or where the donation is specifically for a subsequent period, the income is deferred and not recognised until either those conditions are fully met, or the fulfilment of those conditions is wholly within the control of the charity and it is probable that those conditions will be fulfilled in the reporting period.

In accordance with the Charities SORP FRS 102, volunteer time is not recognised.

Principal accounting policies Year to 31 August 2020

Income recognition (continued)

Legacies are included in the statement of financial activities when the charity is entitled to the legacy, the executors have established that there are sufficient surplus assets in the estate to pay the legacy, and any conditions attached to the legacy are within the control of the charity.

Dividends are recognised once the dividend has been declared and notification has been received of the dividend due.

Interest on funds held on deposit is included when receivable and the amount can be measured reliably by the charity; this is normally upon notification of the interest paid or payable by the bank.

Income from school activities is accounted for on an accruals basis; where fees are received for courses commencing in the following financial period, the income is deferred to the next financial period.

Expenditure recognition

Liabilities are recognised as expenditure as soon as there is a legal or constructive obligation committing the charity to make a payment to a third party, it is probable that a transfer of economic benefits will be required in settlement and the amount of the obligation can be measured reliably.

All expenditure is accounted for on an accruals basis. Expenditure comprises direct costs and support costs. All expenses, including support costs, are allocated or apportioned to the applicable expenditure headings. The classification between activities is as follows:

- ◆ Expenditure on raising funds includes all expenditure associated with raising funds for the charity. This includes investment management fees, the costs of the trading subsidiary company and costs incurred in encouraging people and organisations to contribute financially to the charity.
- ◆ Expenditure on charitable activities includes all costs associated with furthering the charitable purposes of the charity through the provision of its charitable activities. Such costs include the direct cost of operating the school and support costs.

Allocation of support and governance costs

Support costs represent indirect charitable expenditure including governance costs. In order to carry out the primary purposes of the charity it is necessary to provide support in the form of personnel development, financial procedures, provision of office services and equipment and a suitable working environment. Governance costs comprise the costs involving the public accountability of the charity (including audit costs) and costs in respect of its compliance with regulation and good practice.

Support costs (which are predominantly staff costs for the Chief Executive and marketing and finance teams) are apportioned between expenditure on raising funds and on charitable activities (which comprises costs of school activities) based on an estimate of the proportion of the time spent on each area. Governance costs are all included within expenditure on charitable activities (costs of school activities).

Principal accounting policies Year to 31 August 2020

Tangible fixed assets

Depreciation is provided on all tangible fixed assets at the following annual rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life:

♦ Fixtures and fittings	10% on cost
♦ Office equipment	20% on cost
♦ Leasehold improvements	10% on cost or if shorter over the remaining term of the lease

Fixtures and fittings and office equipment with a cost greater than £1,000 are capitalised.

Heritage assets

The Royal School of Needlework possesses a collection of historic embroidery, the value of which has not been included in the financial statements, as the Council does not believe that the value of ascertaining their market value would be commensurate with the associated cost. Further details are disclosed in note 10 to the financial statements.

Investments

Investments are included on the balance sheet at their market value at the end of the financial period. Investment income is credited to income on an accruals basis, using dates of payment for dividends and daily accruals for interest. Realised and unrealised gains and losses are credited, or debited, to the statement of financial activities in the year in which they arise.

Stocks

Stocks are stated at the lower of cost and net realisable value as follows:

Materials	- At purchase cost on a first-in, first-out basis
Work-in-progress, finished work and goods held for re-sale	- At purchase cost or at cost of direct materials and labour plus attributable overheads based on the normal level of activity

Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal.

Debtors

Debtors are recognised at their settlement amount, less any provision for non-recoverability. Prepayments are valued at the amount prepaid. They have been discounted to the present value of the future cash receipt where such discounting is material.

Cash at bank and in hand

Cash at bank and in hand represents such accounts and instruments that are available on demand or have a maturity of less than three months from the date of acquisition.

Principal accounting policies Year to 31 August 2020

Creditors and provisions

Creditors and provisions are recognised when there is an obligation at the balance sheet date as a result of a past event, it is probable that a transfer of economic benefit will be required in settlement, and the amount of the settlement can be estimated reliably. Creditors and provisions are recognised at the amount the charity anticipates it will pay to settle the debt. They have been discounted to the present value of the future cash payment where such discounting is material.

Fund accounting

The unrestricted general fund comprises those monies which may be used towards meeting the charitable objectives of the charity at the discretion of the Council.

The designated fund comprises monies set aside out of unrestricted funds for future projects or purposes.

The restricted funds are monies raised for, and their use restricted to, a specific purpose, or donations subject to conditions imposed by the donor.

The endowment funds comprise permanent endowments, where the capital is held indefinitely and the income is used for prizes and training for students and expendable endowments, where both the capital and income can be used for student scholarships or the general purposes of the charity.

Notes to the financial statements Year to 31 August 2020

1 Donations and legacies

	Unrestricted funds £	Restricted funds £	Endowment funds £	Total 2020 £
2020				
Donations	134,527	120,662	—	255,189
Legacies	33,010	—	—	33,010
Grants	187,659	—	—	187,659
Total funds	355,196	120,662	—	475,858
	Unrestricted funds £	Restricted funds £	Endowment funds £	Total 2019 £
2019				
Donations	44,887	152,584	250,000	447,471
Legacies	6,980	—	—	6,980
Total funds	51,867	152,584	250,000	454,451

2 Investment income

	Unrestricted funds £	Restricted funds £	Endowment funds £	Total 2020 £
2020				
Bank and deposit interest received	642	—	—	642
Income from listed investments	169,311	—	—	169,311
Total funds	169,953	—	—	169,953
	Unrestricted funds £	Restricted funds £	Endowment funds £	Total 2019 £
2019				
Bank and deposit interest received	709	—	—	709
Income from listed investments	172,575	—	—	172,575
Total funds	173,284	—	—	173,284

3 Income from trading activities

The Royal School of Needlework has a wholly owned trading subsidiary which is incorporated in England and Wales. RSN Enterprises Limited undertakes the retail activities of The Royal School of Needlework. The company will donate any taxable profits to the charity under Gift Aid. A summary of the company's trading results is shown below. Audited financial statements have been filed with the Registrar of Companies.

Notes to the financial statements Year to 31 August 2020

3 Income from trading activities (continued)

RSN Enterprises Limited – Statement of comprehensive income

	Total 2020 £	Total 2019 £
Turnover	290,210	361,645
Cost of sales	(225,756)	(294,809)
Gross profit	64,454	66,836
Other operating income	564	564
Administrative expenses	(90,751)	(78,732)
Operating loss	(25,733)	(11,332)
Gift Aid donation to The Royal School of Needlework	—	—
Retained loss for the financial year	(25,733)	(11,332)

In the year ended 31 August 2020, turnover includes £12,219 (2019: £9,660) of income received by RSN Enterprises Limited from the charity, which is eliminated upon consolidation.

4 Income from school activities

Income from school activities is wholly unrestricted and comprises mainly fees for the Degree programme, Certificate and Diploma programme, Future Tutors and Short Courses.

5 Expenditure on raising funds

	Unrestricted funds £	Restricted funds £	Endowment funds £	Total 2020 £
2020				
Costs of trading subsidiary	316,507	—	—	316,507
Investment managers' fees	41,703	—	—	41,703
Advertising and literature	29,255	—	—	29,255
Fundraising costs	11,222	11,717	—	22,939
Travelling & other costs	1,439	1,533	—	2,972
Total funds	400,126	13,250	—	413,376
	Unrestricted funds £	Restricted funds £	Endowment funds £	Total 2019 £
2019				
Costs of trading subsidiary	373,541	—	—	373,541
Investment managers' fees	40,062	—	—	40,062
Advertising and literature	50,659	—	—	50,659
Fundraising costs	1,365	16,876	—	18,241
Travelling & other costs	207	3,499	—	3,706
Total funds	465,834	20,375	—	486,209

Notes to the financial statements Year to 31 August 2020

6 Costs of school activities

	Unrestricted funds £	Restricted funds £	Endowment funds £	Total 2020 £
2020				
Staff costs	1,140,888	84,517	—	1,225,405
Other costs	376,816	82,437	8,000	467,253
Total funds	1,517,704	166,954	8,000	1,692,658

	Unrestricted funds £	Restricted funds £	Endowment funds £	Total 2019 £
2019				
Staff costs	1,113,695	103,876	—	1,217,571
Other costs	394,182	110,438	6,175	510,795
Total funds	1,507,877	214,314	6,175	1,728,366

7 Staff costs

	2020 £	2019 £
Wages and salaries	1,240,297	1,313,907
Social security costs	84,637	81,862
Pension costs	53,475	40,090
	1,378,409	1,435,859
Staff costs by function were as follows:		
Cost of school activities	1,225,405	1,217,571
Cost of raising funds (fundraising and trading subsidiary)	153,004	218,288
	1,378,409	1,435,859

The average monthly number of employees during the year was 54 (2019: 52) and on a full time equivalent basis was 29 (2019: 28).

Redundancy costs totalling £15,350 were incurred in the year as a result of restructuring during the COVID-19 pandemic (2019: nil). The costs were accrued at 31 August 2020 and paid in September 2020. The RSN has given regard to the "Guidance on decisions taken about severance payments in HEI's" published by the Committee of University Chairs when determining severance pay.

The number of employees who earned £60,000 or more (including taxable benefits but excluding employer's pension contributions) during the year was as follows:

	2020	2019
£60,001 - £65,000	—	1
£90,001 - £95,000	1	—
£95,001 - £100,000	—	1

Pension contributions in respect of these employees were £4,333 (2019: £7,925).

7 Staff costs (continued)

No Council Members received reimbursement of travelling expenses in the year (2019: none).

No remuneration was paid to the Council Members in the year (2019: none).

The key management personnel of the charity in charge of directing and controlling, running and operating the charity on a day-to-day basis comprise the Council and the Chief Executive. The total cost of the remuneration (including taxable benefits, employer's national insurance and pension contributions) of the key management personnel for the year was £105,537 (2019: £111,146).

Chief Executive Remuneration

	2020 £	2019 £
Basic salary	86,657	91,103
Bonus	3,750	4,500
Pension contribution	4,333	4,027
	94,740	99,630

The RSN has given regard to the "Higher Education senior staff remuneration code" published by the Committee of University Chairs when determining senior staff remuneration.

The Chief Executive's remuneration shown in year was considered and reviewed by the Council.

The Chief Executive's basic salary as a multiple of the median of all staff was 2.3 (2019: 2.7)

8 Net (expenditure) income before investment gains and losses

These are stated after charging:

	2020 £	2019 £
Depreciation	9,898	28,399
Auditor's remuneration		
. Charity audit	8,872	7,574
. Trading subsidiary audit	2,705	3,369
. Other services	2,983	1,044
Lease expenses		
. Land and buildings	189,224	125,927
. Other	15,260	14,991

Notes to the financial statements Year to 31 August 2020

9 Tangible fixed assets

Group and Charity	Leasehold improve- ments £	Office equipment £	Fixtures and fittings £	Total £
Cost				
At 1 September 2019	150,509	83,129	55,686	289,324
Additions	—	13,871	14,700	28,571
At 31 August 2020	<u>150,509</u>	<u>97,000</u>	<u>70,386</u>	<u>317,895</u>
Depreciation				
At 1 September 2019	150,509	76,544	37,636	264,689
Charge for year	—	4,972	4,927	9,899
At 31 August 2020	<u>150,509</u>	<u>81,516</u>	<u>42,563</u>	<u>274,588</u>
Net book values				
At 31 August 2020	<u>—</u>	<u>15,484</u>	<u>27,823</u>	<u>43,307</u>
At 31 August 2019	<u>—</u>	<u>6,585</u>	<u>18,050</u>	<u>24,635</u>

10 Heritage assets

The RSN is rich in heritage assets comprising embroidered textiles, designs, company archives, photographs and student pieces. The RSN does not generally have the funds to acquire pieces so most of the Collection has been donated. The acquisition policy relates firstly to items that have an RSN connection, then to items of a high standard of work and/or types of work not already included in the collection.

The Collection of textiles comprises objects almost all of which have been donated to the RSN and which are mostly examples of embroidery, with some examples of lace. Whilst there are a few pieces from the 16th century, most date from the 19th and 20th centuries.

They comprise many embroidery techniques from the UK and around the world. Also included are a number of pieces worked by the RSN and its students, especially from the original Diploma course, which ran from the late 19th century until 1960, which have been given back to the RSN by the families.

The Archive comprises registers, minutes and other paperwork relating to the management of the RSN, photographs and ephemera from various events. It also contains workbooks of jobs undertaken from the 1940s onwards, some with samples, and drawings. The largest holding is of designs relating to work undertaken in the Studio.

The RSN Collection and Archive is unique and though it is only minimally catalogued, researchers are given access to specific parts of the archive if it can be identified. The Collection and Archive are made available for student research and for public exhibition.

The RSN also endeavours to offer public access to the Collection through exhibitions and study days both at Hampton Court and elsewhere. Researchers wishing to access the archive can also make appointments but with the caveat that we do not have a resident archivist or curator and most parts of the archive are not catalogued, especially the designs. The most popular requests are whether a family member worked for the RSN (until the registers are digitised this will not be possible to answer), and also in relation to the work the RSN did in therapeutic stitch during the First World War.

Heritage assets have not been capitalised in the financial statements as the Council considers that the significant costs involved in valuing the charity's collection of historic embroidery would outweigh the benefits derived from such an exercise.

Notes to the financial statements Year to 31 August 2020

11 Investments

	2020 £	2019 £
Listed investments and cash holdings	5,338,754	5,402,282
Group total	5,338,754	5,402,282
Shares in subsidiary undertaking at cost	100	100
Charity total	5,338,854	5,402,382

The charity owns the entire issued share capital of RSN Enterprises Limited which is incorporated in England and Wales. Its registered number is 3158058 and its registered address is the same as the RSN.

	2020 £	2019 £
Aggregate share capital and reserves of RSN Enterprises Limited	(43,107)	(17,374)

	2020 £	2019 £
Listed investments & cash holdings		
Market value at 1 September	5,394,664	5,012,196
Additions at cost	653,932	614,462
Disposal proceeds	(807,633)	(378,231)
Realised losses	(136,571)	(64,552)
Unrealised gains	114,138	210,789
Market value at 31 August	5,218,530	5,394,664
Cash held by investment managers	120,224	7,618
	5,338,754	5,402,282

Listed investments held at 31 August comprised the following:

	2020 £	2019 £
Fixed interest	857,095	871,060
UK equities	1,805,953	2,126,574
Overseas equities and equity funds	1,302,806	1,238,443
Other listed investments	1,252,676	1,158,587
	5,218,530	5,394,664
Listed investments at cost	3,595,554	3,761,360

12 Stocks

	Group		Charity	
	2020 £	2019 £	2020 £	2019 £
Materials	29,474	29,625	29,474	29,625
Finished work and goods held for resale	42,279	46,455	—	—
	71,753	76,080	29,474	29,625

Notes to the financial statements Year to 31 August 2020

13 Debtors

	Group		Charity	
	2020	2019	2020	2019
	£	£	£	£
Trade debtors	18,619	20,723	8,400	10,870
Prepayments and accrued income	114,976	95,965	100,013	67,996
Amounts owed by subsidiary company	—	—	89,269	103,673
	133,595	116,688	197,682	182,539

14 Creditors: amounts falling due within one year

	Group		Charity	
	2020	2019	2020	2019
	£	£	£	£
Bank loans	1,667	—	1,667	—
Trade creditors	82,852	77,285	43,767	72,630
Other taxes and social security costs	31,964	35,724	27,563	30,286
Accruals and deferred income	539,097	439,952	520,797	425,684
	655,580	552,961	593,794	528,600

Deferred income (included above)

	Group		Charity	
	2020	2019	2020	2019
	£	£	£	£
Brought forward at 1 September	381,497	330,463	376,942	311,312
Deferred in the year	379,854	368,714	369,760	364,159
Released in the year	(303,635)	(317,680)	(299,081)	(298,529)
Carried forward at 31 August	457,716	381,497	447,621	376,942

Deferred income is fees received in advance of the course taking place and donations received for the following academic year.

15 Creditors due in more than one year

	Group		Charity	
	2020	2019	2020	2019
	£	£	£	£
Bank loans	48,333	—	48,333	—
	48,333	—	48,333	—

Included in creditors falling due in more than one year is a loan received on 3 July, 2020 under the Bounce Back Loan Scheme created by the UK Government in response to COVID-19. The loan is interest free if repaid within one year from the date the loan was drawn. The loan is due 3 July 2026 if not repaid early. Interest is accrued at 2.5% per year after the first year. The Charity intends to repay the loan in full before July 2021. If the loan is not repaid in full within the first year, 60 monthly payments of £833.33 are required.

Notes to the financial statements Year to 31 August 2020

15 Creditors due in more than one year (continued)

The above loan is repayable as follows:

	Group		Charity	
	2020	2019	2020	2019
	£	£	£	£
Within one year	1,667	—	1,667	—
Within two to five years	48,333	—	48,333	—
	50,000	—	50,000	—

16 Share capital

	Issued, called up and fully paid	
	2020	2019
	£	£
Ordinary shares of £10 each	260	280

17 Capital redemption reserve

	2020	2019
	£	£
456 Ordinary shares of £10 each (2019: 451)	4,560	4,510

Notes to the financial statements Year to 31 August 2020

18 Endowment funds

	At 1 September 2019 £	Income £	Expenditure £	Investment losses £	At 31 August 2020 £
2020					
Victoria Adams Fund	2,004,907	—	(7,250)	(8,242)	1,989,415
General Endowment Fund	547,539	—	—	(2,251)	545,288
Hilda Watson Fund	3,283	—	—	(13)	3,270
Charrington / Broderers Fund	3,388	—	—	(14)	3,374
Wendy Hogg Fund	19,311	—	(750)	(79)	18,482
HB Allen Fund	250,000	—	—	(1,028)	248,972
	<u>2,828,428</u>	<u>—</u>	<u>(8,000)</u>	<u>(11,627)</u>	<u>2,808,801</u>
	At 1 September 2018 £	Income £	Expenditure £	Investment gains £	At 31 August 2019 £
2019					
Victoria Adams Fund	1,955,334	—	(5,875)	55,448	2,004,907
General Endowment Fund	532,440	—	—	15,099	547,539
Hilda Watson Fund	3,290	—	(100)	93	3,283
Charrington / Broderers Fund	3,392	—	(100)	96	3,388
Wendy Hogg Fund	18,876	—	(100)	535	19,311
HB Allen Fund	—	250,000	—	—	250,000
	<u>2,513,332</u>	<u>250,000</u>	<u>(6,175)</u>	<u>71,271</u>	<u>2,828,428</u>

- a) The Victoria Adams Fund is an expendable endowment fund for student scholarships and the general purposes of the charity.
- b) The General Endowment Fund provides for the training of students.
- c) The Hilda Watson Fund provides prizes for Silk Work.
- d) The Charrington / Broderers Fund provides prizes for students.
- e) The Wendy Hogg Fund is an expendable scholarship / prize fund for students.
- f) The HB Allen Fund provides support for the Future Tutor programme.

Notes to the financial statements Year to 31 August 2020

19 Restricted funds

	At 1 September 2019 £	Income £	Expenditure £	Investment losses £	Transfers between funds £	At 31 August 2020 £
2020						
Janet Churm Fund	114,705	—	(51,980)	(471)	—	62,254
Degree Building Improvements	11,850	—	(6,464)	—	—	5,386
Future Tutor Programme	16,322	40,234	(56,556)	—	—	—
Degree Programme	—	25,940	(25,940)	—	—	—
Campaign HCP New Rooms	12,097	—	(2,041)	—	—	10,056
Collection & Digitisation	155,046	2,961	(325)	—	573	158,255
Embroider a Selfie	14,196	—	(2,833)	—	—	11,363
Stitch Bank	—	51,527	(34,065)	—	35,530	52,992
Other Campaign Funds	36,103	—	—	—	(36,103)	—
Other Restricted Legacy	27,989	—	—	—	—	27,989
	388,308	120,662	(180,204)	(471)	—	328,295
2019						
Janet Churm Fund	161,689	—	(51,569)	4,585	—	114,705
Degree Building Improvements	19,266	—	(7,416)	—	—	11,850
Future Tutor Programme	36,534	64,766	(84,978)	—	—	16,322
Degree Programme	—	31,140	(31,140)	—	—	—
Campaign HCP New Rooms	28,887	—	(16,790)	—	—	12,097
Collection & Digitisation	140,924	17,275	(3,153)	—	—	155,046
Embroider a Selfie	14,566	—	(370)	—	—	14,196
Stitch Bank	—	—	—	—	—	—
Other Campaign Funds	35,973	39,403	(39,273)	—	—	36,103
Other Restricted Legacy	27,989	—	—	—	—	27,989
	465,828	152,584	(234,689)	4,585	—	388,308

- The Janet Churm Fund provides support for both the Degree and Future Tutor programmes and was funded by a generous legacy from the estate of the late Mrs Janet Churm.
- The Degree Building Improvements Fund was established when the RSN Degree programme commenced. Expenditure relates to the depreciation on leasehold and other improvements, which were required to set up the Degree rooms at Hampton Court Palace.
- The Future Tutor Programme Fund specifically provides bursaries, prizes and day-to-day support for the Future Tutor programme and includes restricted donations and legacies from a number of donors.
- The Degree Programme Fund specifically provides bursaries, prizes and day-to-day support for the Degree Programme and includes restricted donations and legacies from a number of donors.

Notes to the financial statements Year to 31 August 2020

19 Restricted funds (continued)

- e) The Campaign HCP New Rooms Fund was established to fund the improvement works and equipment required to set up additional rooms at Hampton Court Palace, which were taken on in 2015 to accommodate expansion. It was funded by donations from a wide number of RSN Friends and other donors. Expenditure includes depreciation on capital works.
- f) The RSN Collection & Digitisation Appeal includes donations from a large number of RSN Friends, supporters and other donors towards the Cataloguing and Digitisation of the RSN Archive and Collection. This project is in the planning stages and it is anticipated that it will get underway in the latter part of 2020/21.
- g) The Embroider a Selfie fund is a project to introduce stitch to young people.
- h) The Stitch Bank fund is a project that aims to digitally conserve and preserve every stitch in the world, becoming the biggest repository of stitch in the world. The first phase is expected to go live in 2020/21.
- i) Other Campaign Funds include donations from a number of donors towards the RSN Stitch Bank, Archive & Collection Digitisation, Distance Learning and General Campaign projects. The funds have now all been transferred to separate restricted project funds, as detailed above.
- j) The Other Restricted Legacy Fund relates to a legacy received in 2016/17, which will provide support for the Future Tutor Programme.

20 Designated funds

	At 1 September 2019 £	New Designations £	Utilised/ released £	At 31 August 2020 £
2020				
<i>Futures campaign</i>	610,000	—	—	610,000

	At 1 September 2018 £	New Designations £	Utilised/ released £	At 31 August 2019 £
2019				
<i>Futures campaign</i>	650,000	—	(40,000)	610,000

The Futures campaign fund comprises monies set aside for various campaign projects. During 2019/20 no funds were utilised. In 2018/19: £40,000 of this fund was utilised for the RSN IT transformation project.

21 Analysis of net assets between funds

Group	Share-holders funds £	Restricted funds £	Un-restricted funds £	Endowment funds £	Total 2020 £
Tangible fixed assets	—	15,441	27,866	—	43,307
Investments	—	326,672	2,203,281	2,808,801	5,338,754
Current assets	4,820	28,832	588,895	—	622,547
Creditors: amounts falling due within one year	—	(42,650)	(612,930)	—	(655,580)
Creditors falling due in more than one year	—	—	(48,333)	—	(48,333)
Total net assets	4,820	328,295	2,158,779	2,808,801	5,300,695

Group	Share-holders funds £	Restricted funds £	Un-restricted funds £	Endowment funds £	Total 2019 £
Tangible fixed assets	—	8,900	15,734	—	24,634
Investments	—	327,144	2,246,710	2,828,428	5,402,282
Current assets	4,790	79,948	486,084	—	570,822
Creditors: amounts falling due within one year	—	(27,684)	(525,276)	—	(552,960)
Total net assets	4,790	388,308	2,223,252	2,828,428	5,444,778

Charity	Share-holders funds £	Restricted funds £	Un-restricted funds £	Endowment funds £	Total 2020 £
Tangible fixed assets	—	15,441	27,866	—	43,307
Investments	—	326,672	2,203,381	2,808,801	5,338,854
Current assets	4,820	28,832	570,216	—	603,868
Creditors: amounts falling due within one year	—	(42,650)	(551,145)	—	(593,795)
Creditors falling due in more than one year	—	—	(48,333)	—	(48,333)
Total net assets	4,820	328,295	2,201,985	2,808,801	5,343,901

Charity	Share-holders funds £	Restricted funds £	Un-restricted funds £	Endowment funds £	Total 2019 £
Tangible fixed assets	—	8,900	15,734	—	24,634
Investments	—	327,144	2,246,810	2,828,428	5,402,382
Current assets	4,790	79,948	479,097	—	563,835
Creditors: amounts falling due within one year	—	(27,684)	(500,915)	—	(528,599)
Total net assets	4,790	388,308	2,240,726	2,828,428	5,462,252

22 Operating lease commitments

As at 31 August 2020, the group and charity had the following future minimum payments under non-cancellable operating leases:

2020	Land and buildings £	Equipment £	2020 £
Operating lease payments due:			
within the next year	187,332	14,866	202,198
between two and five years	183,736	22,374	206,110
	<u>371,068</u>	<u>37,240</u>	<u>408,308</u>

2019	Land and buildings £	Equipment £	2019 £
Operating lease payments due:			
within the next year	211,136	14,866	226,002
between two and five years	382,805	37,241	420,046
	<u>593,941</u>	<u>52,107</u>	<u>646,048</u>

23 Related party transactions

RSN Enterprises Limited donates any profits via Gift Aid to the charity. During the year the RSN Enterprises Limited was loss making and so no donation was made (2019: £nil).

At 31 August 2020, £89,269 is due by RSN Enterprises Limited to the charity (2019: £103,673).

Council Members paid an aggregate of £1,703 (2019: £5,394) for classes and events, £114 (2019: £152) for Friends' subscriptions at standard un-discounted rates and donations of £1,451 (2019: £nil).

24 Comparative statement of financial activities for the year ended 31 August 2019

	Unrestricted funds £	Restricted funds £	Endowment funds £	2019 Total funds £
Income and expenditure				
Income from:				
Donations and legacies	51,867	152,584	250,000	454,451
Investment income	173,284	—	—	173,284
Income from trading activities	352,549	—	—	352,549
Charitable activities				
• School activities	1,377,207	—	—	1,377,207
Total income	1,954,907	152,584	250,000	2,357,491
Expenditure on:				
Raising funds	465,834	20,375	—	486,209
Charitable activities				
• Costs of school activities	1,507,877	214,314	6,175	1,728,366
Total expenditure	1,973,711	234,689	6,175	2,214,575
Net (expenditure)/income before investment gains and losses	(18,804)	(82,105)	243,825	142,916
Realised (losses)/gains on investments	(31,068)	(2,024)	(31,460)	(64,552)
Unrealised gains on investments	101,449	6,609	102,731	210,789
Net movement in funds	51,577	(77,520)	315,096	289,153
Reconciliation of funds:				
Fund balances brought forward at 1 September 2018	2,171,675	465,828	2,513,332	5,150,835
Fund balances carried forward at 31 August 2019	2,223,252	388,308	2,828,428	5,439,988