



NatCen

Social Research that works for society

Annual Report and Accounts

Year Ended 30th June 2017

THE NATIONAL CENTRE FOR SOCIAL RESEARCH

Company Registration Number: 04392418

Charity Registration Number: 1091768

Scotland Charity Registration Number: SC038454



At NatCen, we believe that social research has the power to make life better



Legal and administrative details

Registered name:	The National Centre for Social Research
Trading name:	NatCen Social Research
Legal status:	Company limited by guarantee and registered charity
Company registration number:	04392418
Charity registration number:	1091768
Scottish charity registration number:	SCO38454
Registered office:	35 Northampton Square, London, EC1V 0AX
Trustees:	Professor Sir Robert Burgess (Chair) Alan Botterill Ken Caldwell (resigned 16 November 2016) Professor Sir Ian Diamond Barbara Noble James Thickett Professor Paul Wiles (resigned 15 February 2017) Maureen Duffy Dame Jil Matheson Stephen West Nick Deyes (resigned 29 July 2016) Peter Havelock (appointed 19 August 2016) Walter Cormack (appointed 19 August 2016) Jude England (appointed 9 February 2017)
Statutory Auditor:	RSM UK Audit LLP, 25 Farringdon Street, London, EC4A 4AB
Internal Auditor:	Grant Thornton UK LLP, Grant Thornton House, Melton Street, Euston Square, London, NW1 2EP
Solicitor:	Bates, Wells and Braithwaite, 2-6 Cannon Street, London, EC4M 6YH
Banker:	National Westminster Bank Plc, Cavell House, 2A Charing Cross Road, London, WC2H 0NN

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Chairman's Introduction



The 2016-17 year has been a very good one for the National Centre for Social Research (NatCen). As Chairman of the Trustees, I am presenting this annual report along with the audited financial statements for the year to 30 June 2017.

The statements show a strong financial performance, a growth in revenues year-on-year and a welcome return to annual surplus under the new Chief Executive.

Over the past year, we have been working on a new long-term strategy "Towards 2025" which sets out the next stage in NatCen's journey. It is an opportune time for this as we approach our 50th anniversary in 2019. We will build on our existing strengths: those 50 years of experience, a reputation for excellence, unique data collection capability and a UK wide presence. But we are also looking for improved focus on a wider range of customers, greater impact, more partnerships and an expansion into new areas across the social sciences.

Behind the strategy sits our charitable aim to use social research to improve lives. We will be making the transition from primarily a social survey organisation to establishing ourselves as The National Centre for Social Research. NatCen wants to become the place that people go to if they want to understand our society; an independent voice at the heart of the big debates; innovative on methods and the new opportunities in social research; and bigger and broader in our scope than we are today. You can read the web version of our strategy document [here](#).

The last 12 months have been very good for NatCen. We continue to be the place government goes to for its social research and household surveys. We have broadened our base of customers, won more contracts and grown our team of social scientists. NatCen has also retained all three of the existing, large survey contracts that were re-commissioned this year - the National Travel Survey, the National Diet and Nutrition Survey and the Scottish Health Survey, providing a welcome endorsement from our customers and a solid base for our survey work into the future.

Our impact on policy making and in informing the public has been considerable. The general election, which followed a year after the decision to leave the European Union in a national referendum, saw a welcome focus on the state of our society and the impact of the "austerity" years on people's lives. It has provided renewed interest in what the public wants and in our British and Scottish Social Attitudes Surveys, along with the new NatCen Panel, on topics such as Europe, Scottish independence, international migration and the economy.

Perhaps, the best example of impact this year was achieved through the Adult Psychiatric Morbidity Survey which is the main source of data on the mental condition of the population in England. It showed that around one in six adults have a common mental disorder and young women, in particular, have become a high risk group: 26% of women aged 16-24 reported symptoms of common mental disorders in one week, compared with 9% of men. The findings were covered widely across the national media, sending alarm bells to a host of stakeholders with an interest in policy around mental health. Our researchers presented the findings to the All Party Parliamentary Groups on suicide and self-harm prevention and on sex equality, as well as to campaigning charities such as the Mental Health Foundation. In direct response to the study, the Government established a new Women's Mental Health Task Force aimed at "championing action to tackle the findings" of the survey.

However, our customer reach and impact has grown more generally over the year with new partnerships and involvement in Research Centres, a greater range of evaluations for customers, cognitive interviewing and methodological support, as well a full range of qualitative and quantitative work, including secondary analysis. As part of this report, we have provided a separate section on our activities and on public benefit, presenting case studies of some of our work that has made impact during the year.

The impressive impact has been achieved despite the difficult financial climate over the last year, including for research organisations.

As mentioned above, our own financial performance has seen a turnaround with a strong financial performance generating increased revenues of £33m in 2016/17, up 10%, resulting in net income of just under £400k for the year. Our pension deficit reduced by £700k; resulting in an overall improvement in our financial position of £1.1m. This is an excellent result for the organisation under its new Leadership Team. We retain an established long term plan in place to address our pensions deficit as defined in our reserves policy.

Our role as Trustees is to provide stewardship of the organisation. We have overseen many changes

Our impressive impact has been achieved despite the difficult financial climate over the last year

within the organisation to modernise and streamline our organisation and as a Board we are confident that NatCen is in a stronger position to continue to deliver the high quality and impactful research that society needs.

Finally, I would like to thank my colleagues on the Board for their ongoing commitment to NatCen and their continued willingness to lend their expertise, experience, challenge and insight. In addition, I would like to thank the enthusiastic, skilled and committed staff at NatCen who continue to develop our research and disseminate our findings, thereby contributing to better policy-making.

Professor Sir Robert Burgess

Chairman of the Board of Trustees

Structure, governance and management

2.

Our legal structure

The National Centre for Social Research (which also trades under the name “NatCen Social Research”/“NatCen”) was founded in 1969 as a registered charity governed by a Trust Deed. In July 2002, it became a company limited by guarantee (4392418) with a new charity registration number in England and Wales (1091768) and Scotland (SCO38454).

NatCen’s governing document is its Memorandum and Articles of Association, last amended in July 2017. This establishes the governance of NatCen as the responsibility of the Board of Trustees who are the directors of the company as well as being its members.

Charitable objectives

The charitable objects of NatCen are ‘the advancement of education through research into the social, political and economic sciences, the dissemination to the public of the results of such research and for educational purposes incidental thereto’.

In line with these formal objects, NatCen’s principal activity over the past year has been the delivery of a large number of research projects in all areas of social policy, with a particular focus on health and well-being, children and young people, education, crime and justice, income and work, welfare and disadvantage, social attitudes and equalities to inform public policy and wider debate.

NatCen’s principal activity over the past year has been the delivery of a large number of research projects in all areas of social policy.

All of NatCen’s substantive research has direct, practical application in terms of understanding social behaviour and informing policy and/or practice.

Many of the projects we have undertaken included quantitative surveys or qualitative studies carried out throughout the UK. The Scottish Centre for Social Research (“ScotCen”) is an integral part of NatCen and undertakes research reflecting the distinct characteristics of the social and political landscape in Scotland. We also carry out projects in Wales but do not currently have a field presence in Northern Ireland, although NatCen partners with the Northern Ireland Statistics and Research Agency (NISRA) on some projects.

Our aim is to contribute to a better society, as a result of high quality research. All of NatCen’s substantive research has direct, practical application in terms of understanding social behaviour and informing policy and/or practice. It is used by policy makers and political representatives, the media, academics, university students and social researchers, as well as by charities, industry associations and commercial companies. Increasingly, informed members of the public also take an interest in research findings.

We have a distinct role to play as a charity in helping to ensure that research is commissioned most effectively for the public good and is of an appropriate quality. At a time when there is more and more information available, increasingly instantaneous and of mixed quality, NatCen has an important function in promoting fit-for-purpose research that can inform and guide policy makers and

influencers in making the best decisions for society. We actively engage in the Social Research Association, with Government Social Research, the Economic and Social Research Council (ESRC), and we also respond to public consultations, to improve the commissioning, conduct and use of social research.

A key aim of all of our work is to deliver public benefit. We set out how we work to achieve this in Section 3: 'Activities and public benefit'.

Board of Trustees

NatCen is governed by its Board of Trustees who are also its Directors. During 2016/17 the Board comprised the following members:

- **Professor Sir Robert Burgess:** Chairman of the Board of Trustees and Chairman of the Nominations, Remuneration and Fundraising Committees
- **Alan Botterill:** Chairman of the Finance and General Purposes Committee, Member of the Remuneration Committee and Pension Scheme Trustee
- **Ken Caldwell:** Resigned 16 November 2016 Member of the Audit and Risk Committee
- **Professor Sir Ian Diamond:** Member of the Nominations and Remuneration Committees.
- **Barbara Noble:** Member of the Finance and General Purposes Committee and the Nominations Committee.
- **James Thickett:** Member of the Finance and General Purposes Committee
- **Professor Paul Wiles:** Resigned 15 February 2017
- **Maureen Duffy:** Member of the Finance and General Purposes Committee
- **Dame Jil Matheson:** Member of the Fundraising committee
- **Stephen West:** Chairman of the Audit and Risk Committee and member of the Nominations Committee
- **Nicholas Deyes:** Resigned 29 July 2016
- **Peter Havelock:** Appointed 19 August 2016. Member of the Audit and Risk and Fundraising Committees
- **Walter Cormack:** Appointed 19 August 2016. Member of the Audit and Risk Committee
- **Jude England:** Appointed 9 February 2017

Biographies of all current Trustees are available at www.natcen.ac.uk/about-us/people/trustee.

The Articles of Association allow for a minimum of four and a maximum of 15 Trustees. The Board has a Nominations Committee, chaired by the Chair, which undertakes an open recruitment process for Trustees and recommends new candidates for appointment when necessary, and ensures appropriate recruitment and succession plans are in place.

During the year, the Board determined the need to appoint additional Trustees to provide expertise in five areas identified by a skills audit (finance, commercial, policy, information technology and research experience) to provide for the future retirement of existing Board members.

On appointment, each Trustee completes a declaration of interests which is held within a register of interests and updated annually. Their related party transactions are disclosed in greater detail at Note 5 to the financial statements later in this report. All conflicts are actively managed during the course of all NatCen Trustee business through the early identification of potential areas of conflict and taking actions where necessary to manage this. There is an induction programme for new Trustees that includes information about NatCen and its work, and a programme of meetings with senior staff. Additionally, Trustees are offered a range of training opportunities relating to charity governance and finance to help them meet their responsibilities as directors of a charity. Existing Trustees are also assisted with continuing professional development on an ongoing basis.

Trustees meet formally as a Board with the executive Leadership Team four times a year plus an away day and with further meetings as and when needed. They receive regular reports on NatCen's financial position and current activity, and are kept informed by the management at other times on organisational news or of significant issues affecting NatCen.

As a Board, Trustees regularly review organisational performance to identify the need and opportunities for new ways of working and also training, which is conducted as required.

Four committees (Audit and Risk, Nominations, Remuneration and Finance and General Purposes) report to the Board with responsibility for the following areas:

- **Audit and Risk Committee:** This Committee reviews financial reporting, the effectiveness of internal controls, risks and risk management processes. It monitors the terms of appointment and the work of both the internal and external auditors and receives and reviews audit reports. The Committee is chaired by Stephen West.
- **Nominations Committee:** This Committee is responsible for the appointment of new Trustees and is chaired by Professor Sir Robert Burgess. This committee meets as and when required.
- **Remuneration Committee:** This Committee approves the remuneration package of the Chief Executive, including bonuses and any other awards. This is informed by a review of his/her performance against the objectives agreed by the Board, as well as being informed by contextual information about the economy and market place. The Committee similarly agrees the remuneration for members of the Leadership Team, informed by a recommendation from the Chief Executive. This recommendation is based on an assessment of their performance against objectives and any contextual information about the market as well as average pay increases for other senior staff. The Committee is chaired by Professor Sir Robert Burgess.

- **Finance and General Purposes Committee:** This Committee provides assurance and advice on NatCen's finances, business planning and other key issues that significantly affect the finances or general wellbeing of NatCen. It is chaired by Alan Botterill.
- **Fundraising Committee.** This committee is specifically focussed on identifying, engaging and generating new sources of funds for NatCen, both from traditional charity funding sources such as donations or endowments and commercial sources such as sponsorships or membership schemes. The committee is chaired by Professor Sir Robert Burgess.

The Chief Executive and Finance Director for NatCen are attendees of the Audit and Risk Committee and the Finance and General Purposes Committee.

The Board is responsible for setting the aims and direction of NatCen and each year approves the business plan and budget. It also has the power to appoint a Chief Executive and to delegate day to day management of NatCen to him/her. A clear distinction exists between the responsibilities of Trustees and those responsibilities that are delegated to the Leadership Team.

The Board is responsible for setting the aims and direction of NatCen and each year approves the business plan and budget.

Trustees are required to disclose all relevant interests and register them with the Chief Executive and in accordance with the charity's policy withdraw from decisions where a conflict of interest arises. Details of Trustee expenses and related party transactions are disclosed in note 5 to the accounts.

Leadership Team

The Chief Executive is the key leader and manager with oversight across the organisation.

He is responsible for reporting to Trustees on the operation of the organisation, including its financial position. He is also responsible for appointing the Leadership Team who oversee the everyday operations at NatCen and help him deliver his functions.

The Leadership Team at the date of this report comprises of:

Chief Executive

Guy Goodwin

Director of Finance and Business Services

Robert Swinchatt

Director of Data Collection and Field

Sophie Ainsby

Director of Survey Research Centre

Kirby Swales

Deputy Chief Executive and Director of Policy Research Centre

Nancy Kelley

The Chief Executive, supported by his Leadership Team, is responsible for implementing the strategy and policies agreed with Trustees, including the 3 year business plan, and reporting on its performance to the Board.

Key management personnel remuneration

The Trustees consider the Board of Trustees and the Chief Executive as comprising the key management personnel of the charity in charge of directing and controlling the charity and running and operating the charity on a day to day basis. All Trustees give of their time freely and no Trustee remuneration was paid in the year.

The pay of the charity's Chief Executive is reviewed annually and normally increased in accordance with average earnings. The remuneration is also bench-marked with charities of a similar size and activity to ensure that the remuneration set is fair and not out of line with that generally paid for similar roles.

Our funding and resources

NatCen is funded by grants and income from its research activities. Its clients are a wide range of organisations, including government departments and agencies, research councils, regulatory bodies, universities, charities and (on occasion) the corporate social responsibility divisions of commercial organisations. All of NatCen's funding is contract or grant-related; currently it receives no core funding from any source.

NatCen employed 242 full-time equivalent staff for the year ended 30 June 2017 (2016: 238). NatCen is organised in two Centres to further strengthen our capability to deliver quality and impactful research. Our Policy Research Centre is focused on delivering mixed method qualitative and quantitative policy research studies and evaluations, and our Survey Research Centre has expertise in large-scale and complex surveys across the full spectrum of data collection modes.

The Scottish Centre for Social Research (ScotCen) is a unique but integral part of NatCen that serves the research needs of Scotland, has separate leadership reporting to the Leadership Team, in addition to working closely with the two Research Centres above.

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NatCen also has a panel of interviewers and nurses covering England, Scotland and Wales, and a panel of telephone interviewers based in our Brentwood office. The management and training of our interviewers is co-ordinated through our Field Division and supported by a network of Regional and Field Managers.

All staff are communicated to about organisational updates and successes via a variety of channels including regular roadshows, the intranet and a monthly newsletter.

Our approach to our work

NatCen is an equal opportunities employer. We recognise that everyone should be treated with respect and dignity and that a working environment, including training provision, must be provided which is free of any form of discrimination, harassment, bullying or victimisation. In addition, we provide access arrangements at each of our permanent sites in order to allow unrestricted employment of individuals who have special access needs. We give full and fair consideration in our recruitment practices to applications for employment received from disabled persons, having regard for their aptitudes and abilities. Staff who become disabled during employment are treated fairly and with respect, having due regard to The Equality Act. NatCen is committed to the effective implementation of this policy and will not condone any form of discrimination, whether engaged in by employees or by outside third parties who interact with the organisation.

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We apply these work policies to those staff who we employ directly and also to those workers to whom we sub-contract on an associate, temporary, freelance or casual worker basis. We do not currently use volunteer staff.

Staff are invited to attend regular leadership team meetings in the year to involve, consult and encourage them and also to make them aware of the organisation's performance.

Auditor

RSM UK Audit LLP, Chartered Accountants, was re-appointed as the charitable company's auditor and has indicated its willingness to continue in office next year.

Activities and public benefit

3.

How we delivered public benefit in 2016/17

Our approach

Delivering public benefit is at the core of NatCen's mission. We aim to do this by:

- **Producing high quality research**, using the most robust methods, and talented researchers to create the evidence that shapes policy and practice, ultimately making society better.
- **Communicating what we learn** about society to policymakers and practitioners so they have the best information on which to base their decisions.
- **Reflecting what we find back to the public** so people have the information they need to make informed decisions.
- **Tackling the methodological challenges** facing quantitative and qualitative approaches to improve the quality of all social research.

The above framework is informed by the Charity Commission's criteria that charities providing research should ensure that their work is useful, is shared with a wide audience and is conducted for public benefit.

The Trustees confirm that they have had regard to the Charity Commission's public benefit guidance as required by section 17 of the Charities Act 2011.

Our achievements and performance

Last year we asked Management to deliver our charitable objects by continuing to deliver high quality research projects, ensuring this research is communicated to relevant policy audiences and the public and continuing NatCen's tradition of methodological innovation.

High quality research

One of the central ways in which NatCen has impact is as a supplier of high quality research. We are commissioned by Government to evaluate policies and pilots, and to collect data that makes it both possible to track the effectiveness of policies and to see where interventions are needed in areas like health and education. In this way our research interacts directly with the policymaking process. During 2016/17 the UK, Scottish and Welsh Government's and government bodies published 24 studies commissioned from NatCen.

Our Survey Research Centre conducts a majority of the UK government's major social surveys. These studies provide Government with robust and reliable data in a wide range of policy areas and include the English Housing Survey, the Health Survey for England, the National Travel Survey, the National Diet and Nutrition Survey, the English Longitudinal Study of Ageing and the Family Resources Survey. In addition, during 2016/17, we published the Adult Psychiatric Morbidity Survey, England's most important study of mental health, which is carried out once every seven years.

Our Survey Research Centre conducts a majority of the UK government's major social surveys. These studies provide Government with robust and reliable data in a wide range of policy areas.

The data from all of the major surveys that we collect is submitted to the UK Data Archive so that other researchers and institutions can analyse the data, maximising its potential impact on social policy.

IMPACT CASE STUDY

ADULT PSYCHIATRIC MORBIDITY SURVEY



The Adult Psychiatric Morbidity Survey is the main source of data on the prevalence of mental disorders among adults in England and is commissioned by NHS Digital to provide the Department of Health with high quality data on the state of mental health in England.

What we did: During 2014/5, a nationally representative sample of about 7,500 people were assessed using the diagnostic criteria for psychiatric disorders by NatCen's highly trained interviewers. The results were analysed by NatCen researchers in collaboration with a number of expert academics.

What we found: The survey uncovered that around one in six adults (17 per cent) have a common mental disorder (CMD). The proportion of women with CMDs had increased since the last survey in 2007 and the study highlighted that young women in particular have become high risk group; 26% of women aged 16-24 reported symptoms of common mental disorders in one week, compared to 9% of men in the same age group.

What happened next: The findings were covered across the national media, including leading the BBC 6 o'clock news and featuring on the front page of The Guardian. Our researchers presented the findings of the study to a host of stakeholders with an interest in policy around mental health, including the All-Party Parliamentary Groups on Suicide and Self-harm Prevention and on Sex Equality, and campaigning charities such as the Mental Health Foundation.

In direct response to the study the government has established a new Women's Mental Health Taskforce aimed at "championing action to tackle the findings of the Adult Psychiatric Morbidity Survey".

IMPACT CASE STUDY FREE SCHOOL MEALS



Free School Meals (FSM) for children in infant and primary schools in England have been the policy of various UK Governments and political parties in recent years and our evaluation of them in 2013 remains the best evidence of their effectiveness.

What we did: In 2013 we published an evaluation of a Free School Meals (FSM) pilot run in three local authorities to test two different approaches to extending FSM provision. The evaluation involved combining information on individual pupils' take-up of school meals with a longitudinal face-to-face survey of pupils and parents, telephone interviews with school catering managers and qualitative case studies.

What we found: Impact on take-up of free school meals

Most pupils in areas where FSM was entitled to all, children took up the offer of free school meals and, importantly, we found that the pilots had a significant positive impact on attainment for primary school pupils at Key Stages 1 and 2 (ages 7 and 11). Pupils in the pilot areas made

between four and eight weeks' more progress than similar pupils in comparison areas. The strongest improvements in attainment tended to be among pupils from less affluent families and among those with lower prior attainment. Interestingly, however, we did not find an impact on the health of children in the pilot areas.

What happened next: Following the successful pilots showing a positive impact of FSM on attainment later that year the Government announced that all year 1 and year 2 pupils in state-funded infant schools would receive a free lunch. In the run up to the 2015 General Election the research was again cited as evidence when the Liberal Democrats announced plans to expand FSM to all primary school children in England.

In 2017, the research continues to have an impact. The Labour Party Manifesto for the 2017 General Election announced that they would provide all primary school children with free school meals citing the evaluation as evidence of the impact of FSM on attainment.



IMPACT CASE STUDY WHAT UK THINKS

Following on from the referendum, the ESRC funded the What UK Thinks project, which continues to offer important insights into what the public thinks about the European Union.

What we did: We have carried out a number of surveys of the British public using the new NatCen Panel to understand more about what the British public want from the arrangements after Britain leaves the European Union. We have also refocussed on post-referendum issues, and continued to produce regular blogs and other social media outputs.

What we found: The research uncovered some of the reasons why the British public voted to leave the EU, suggesting that the remain campaign failed to convince voters of the economic case for staying in the EU and that the Leave campaign were more successful

in getting their supporters to turnout in the referendum. We also showed that the vast majority of the public want to remain in the single market, while also restricting immigration into the UK from the EU.

What happened next: We launched each of our major publications in Parliament in front of an audience of MPs, Peers, civil servants, campaigning organisations and researchers. The findings were widely reported in the press, from the Financial Times and The Guardian through to BuzzFeed. We also presented our results directly to policymakers in Government departments and other interested organisations, including European Union bodies. We also continue to try to reach the public through our website, which makes a host of attitudes data available for the general public to explore.

The NatCen Policy Research Centre uses a wide range of studies such as evaluations of projects and policies, qualitative research with hard to reach groups, and mixed-mode research to really get under the skin of the big issues facing British society. In 2016/17 the Centre's projects drew on our researchers' expertise in a number of policy areas, including children and young people, health, the workplace and crime and justice. Many of these projects are commissioned by government as part of their policymaking process or to help them better understand and improve the way a programme is working.

Communicating what we learn

Producing high quality research is not enough on its own, however, and we take very seriously our responsibility for ensuring that the evidence we produce reaches the right people. We want our studies to be part of the policymaking process. We want other researchers and experts to know about our new evidence. Finally, we want relevant practitioners, be they teachers, doctors or social workers to use our findings to support their practice. Each study therefore has its own communication plan enabling us to identify the relevant audiences for our research and exploit the various channels for reaching the appropriate people. We promote our research through the media, events, social media or even direct mail. We submit responses to consultations and inquiries and attend conferences.

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Reflecting back to the public

In addition to communicating with policymakers, data users and practitioners we also believe that we should reflect back what we find to the public so they have the information they need to make informed decisions. Our research almost invariably requires some cooperation from the British public. They take part in our surveys. They are the teachers or students in our education evaluations and the users of the government programme we want to understand. They give us an extraordinary amount of information about their daily lives; filling our diaries with what they eat and what they are doing. They let us weigh them, measure their children and take their blood. We feel an obligation, therefore, to reflect back to the public what we find out about them, especially on the issues that affect them directly.

One of the main way that we do this is through the media: The National Centre for Social Research was cited in 2,842 articles (up from 2,245 the previous year) during 2016/17, 130 of these were in national newspapers or on the BBC website (123 in 2015/16).

Tackling methodological challenges

At NatCen we have a reputation for methodological expertise and leadership, and our innovative approach to research has benefits to the research community both in Britain and internationally.

Our researchers developed the now widely used framework approach to qualitative research, and have written key academic texts on research methodology. We have been behind the creation of some of the most ground-breaking and, sometimes, controversial research in the UK, including the National Study of Sexual Attitudes and Lifestyles and the first study of gambling prevalence. Today we are perhaps best known for our British and Scottish Social Attitudes surveys, the longest running surveys of public opinion in Britain, dating back to 1983. The British Social Attitudes survey is an essential part of the UK's social research infrastructure, and is used by academics, politicians and the media alike.

IMPACT CASE STUDY

BRITISH SOCIAL ATTITUDES



The British Social Attitudes (BSA) report is NatCen's flagship research into what the British public think about the big social and political issues of the day.

What we did: We have been carrying out this survey of more than 3,000 people since 1983. BSA is a random probability face to face survey and one of the most respected and authoritative and surveys of public opinion in the world. This year we sought to understand whether recent political events including austerity and the Brexit vote have signalled a decline in liberal attitudes in Britain.

What we found: We found rising support for a more active state and for higher taxes; a continuation of liberal attitudes towards people's private lives; but a public tough on law and order and terrorism.

What happened next: We used the mass media to promote the findings to the public. BSA was covered widely across the media, from the Today Programme and BBC Breakfast first thing in the morning right through to Radio 5Live last thing at night and with lots more in between. During the week after publication 538 articles referenced the survey 24 in national print editions of newspapers or on the BBC online. Our promotion of the survey drove 7,500 unique users to the BSA website on publication day and chapters from the report were downloaded 3076 times.

The report was launched at an event in Parliament hosted by the House of Commons Library. The results were picked up on by Members of Parliament and mentioned in Parliament on three separate occasions on the day of publication, including during Prime Minister's questions. Following on from the publication researchers have briefed government departments and shadow ministerial teams.

Besides the publication of the Annual BSA report, the survey was frequently used by policymakers throughout the year. The survey was referenced in a government policy paper on working in later life, a government consultation on neighbourhood, a Welsh Government paper on the Brexit, and an Equality and Human Rights Commission report on disability in Britain. BSA findings were also included in five briefings for MPs by the House of Commons library. Many of the questions are funded and used by Government departments and bodies in policy formation, including the Department for Work and Pensions, Government Equalities Office, Department for Education and Public Health England.

IMPACT CASE STUDY BECOMING A HUB FOR METHODOLOGICAL DEBATES



There are numerous methodological challenges facing social scientists, especially as technology continues to change how we collect social survey data. NatCen has always been a methodological innovator, but today we want to become a hub for innovation, involving and discussing the issues of the day with other experts.

What we did: Working with City University, a leading academic institution in social survey research, we have begun a series of methodology seminars where we hear from some of the world's leading methodologists. The first two seminars looked at the use of digital sensors in research and the risk of mode effects in social survey. The next seminar will hear from world leading statistician and survey methodologist Dr Paul Biemer, who is to discuss the transition from face-to-face surveys to mixed mode and online surveys.

Measuring our impact

During the course of the past year, we have begun trialling a new and more extensive method for measuring our impact, which will provide us with a rich source of evidence in the future for determining whether we are having more or less impact year-on-

At NatCen we have a reputation for methodological expertise and leadership.

year and over time. We will be continuing to use our case studies to demonstrate impact alongside these new measures, because they give descriptive detail around what impact looks like for the National Centre for Social Research.

Our impact measures are in three broad areas: 1) Customer satisfaction – are our customers happy with the quality of our research? 2) Policy or other impact – where our research has interacted with the policy making process 3) Impact with the public – either directly or through the media. All of the indicators that are being trialled show high and encouraging levels of customer satisfaction and impact in 2016-17.

We will be providing more evidence using the new methodology in future annual reports.

ScotCen Social Research

ScotCen has been the home of NatCen in Scotland since devolution was granted in 1999. Whilst ScotCen is legally part of NatCen, it is distinct in many ways and is a leading organisation for applied research and evaluation in Scotland.

ScotCen's portfolio includes many of Scotland's largest and most important social surveys, providing vital information about Scottish society, which is used by Government and practitioners to develop policy and improve services. Alongside the flagship Scottish Social Attitudes survey that it has been carrying out since devolution, the surveys also include the Growing Up in Scotland (GUS) study, the Scottish Health Survey (SHeS) and the Children's Wellbeing Surveys, which is being run as part of the Realigning Children's Services programme (RCS).

ScotCen's portfolio includes many of Scotland's largest and most important social surveys, providing vital information about Scottish society.

Our project for Family Friendly Working Scotland combined secondary analysis of GUS data with qualitative research to identify issues with access to family friendly working for low income parents. 2016 also saw the launch of the 'ScotCen Panel' – an extension of NatCen's probability panel, recruited through participants in previous SSA surveys, which is able to provide robust, standalone findings for Scotland. In addition, a study for the Scottish Government has provided important and detailed views of representatives of the Police and Fire services to the wide scale reforms which were introduced in Scotland in 2013.

ScotCen's impact and reputation is firmly embedded in Scottish policy, media and its research networks. Our researchers have presented and discussed findings with policymakers in central and local government, voluntary sector stakeholders and academics. These discussions have addressed topics across a wide range from early learning and childcare to mental health. The team are also firmly embedded in wider methodological networks, having presented at conferences including those for the Society for Longitudinal and Lifecourse Studies and the Administrative Data Research Network.

As we have moved through a year where the EU and Scottish independence have been high on the political agenda, our online projects "WhatScotlandThinks" and "WhatUKThinks" have continued to play an important role as a source of independent information on public attitudes to these issues. We are delighted to have secured new funding from the ESRC which will ensure the sites are sustained throughout the coming period of Brexit negotiations. This funding will also support the collection of new attitudinal data through the ScotCen panel.

We move into next year with a number of exciting new and ongoing projects, including securing our delivery of the Scottish Health Survey until at least 2021. New projects include testing questions for the forthcoming census and a project examining tobacco retail practices. We also continue to deliver our flagship Scottish Social Attitudes survey.

Our online projects "WhatScotlandThinks" and "WhatUKThinks" have continued to play an important role as a source of independent information on public attitudes to these issues.



IMPACT CASE STUDY DISPLAY

In Scotland, a ban on point of sale (PoS) advertising for tobacco products was introduced in 2013 and expanded to smaller shops in 2015. Working with a number of academic partners we set out to investigate the effect of the bans on smoking attitudes, behaviours and prevalence.

What we did: The research combined a range of methods including mapping and spatial analysis of the location and density of tobacco retail outlets, audits of tobacco advertising and marketing by tobacco retailers, a survey of school pupils, as well as focus group interviews with pupils.

What we found: The research has produced a host of important findings. Our qualitative study with young people visiting retail outlets selling tobacco

found that higher cigarette brand awareness was significantly associated with regularly visiting small shops and noticing PoS displays in small and large shops. Other results from the study have suggested that a possible link between smoking e-cigarettes and tobacco smoking among young people.

What happened next: The research has been published in a series of academic journal articles, including the British Medical Journal's Tobacco Control journal, and been reported across a range of media in Scotland, including national outlets like the BBC, The Times, and the Daily Express as well as other regional outlets. The research is also feeding directly into the policymaking process through briefings with officials in Scotland.

IMPACT CASE STUDY REALIGNING CHILDREN'S SERVICES



The Scottish Government and local Community Planning Partnerships in Scotland asked us to help them collect the information they need to ensure local authorities are providing the right services for children and families.

What we did: We carried out a programme of local, mainly school-based surveys of children and young people to measure aspects of their wellbeing.

What we found: The results from the surveys give policymakers a better understanding of the wellbeing of school age children in Scotland.

We ask them about their relationships at school and at home, their personal happiness and well-being and older children about their physical and mental health. This information makes it possible to develop a picture of the wellbeing of young children in Scotland, what support they need and where it should be targeted.

What happened next: The findings are being used to inform local Children's Services planning by better understanding the needs young children and their families. The project also involves the design and delivery of an interactive visualisation tool.

Financial Review

4.

Overview

2016/17 was the first year of the recovery plan approved by the Trustees in July 2016. The prior year had been transitional and NatCen had incurred an expected deficit on operating activities (net expenditure for the year before the exceptional loss on curtailment of the pension scheme) of £2.32m. The expectation for 2016/17 was to break even operationally. The final result saw NatCen deliver an operational surplus (net income) for the year of £374k on income up 10% on prior year.

During the year 2016/17 NatCen generated total incoming resources of £33,109k up from £30,016k in 2015/16. Of this £33,106k (2016: £29,998k) was from charitable activities, with a further £3k (2015/16: £18k) from investment income. Research carried out for UK Central Government continues to be the main source of income 69% in 2016/17, (72% in 2015/16).

During the year 2016/17 NatCen generated total incoming resources of £33,109k.

Total expenditure during the year was £32,735k (2015/16: £35,609k including £3,282k exceptional curtailment costs) all of which related to research studies. Restructuring costs of the business plan consumed £253k in the year (2016: £275k).

The business plan approved in 2016 has undergone constant review and revision throughout the year as the organisation focussed on stemming the deficit above all other goals. Matching the revenue growth we have achieved to cost containment measures and improving project profitability has produced the required result and more by delivering the first operational surplus since 2013.

NatCen has delivered it's first operational surplus since 2013.

The business plan has been comprehensively reworked in light of the actual turnaround in 2016/17 being fundamentally different from the existing plan and a new three year plan with financial targets to generate operational surplus in excess of the annual pension deficit reduction contributions, once they restart in 2019, has been approved by the Trustees.

The charity's freehold London properties were valued on an "Existing Use" basis by Messrs Strutt & Parker in July 2015 and were revalued upwards. The Trustees have reviewed the carrying value of the freehold building and concluded no impairment or re-valuation as at June 2017 was necessary.

In the 2015/16 accounts the charity booked £3,282k in one-off curtailment costs under expenditure following the closure to future accrual of its defined benefit pension scheme in March 2016. No comparable costs have occurred in 2016/17. The charity benefitted from an actuarial gain on its defined benefit pension scheme of £685k in the year (2015/16: £6,899k actuarial loss) which is also included in the statement of financial activities on page 36. We have an established long term plan in place to address our pension deficit as defined in our reserves policy.

The overall net movement in funds in 2016/17 was an increase of £1,160k (2015/16: decrease of £12,492k).

Balance Sheet and Reserves

Net assets before the pension scheme liability increased to £8,420k in 2016/17 from £7,385k in 2016. The pension liability decreased in the year to £23,785k (2016: £23,910k). NatCen's net liabilities, including the pension scheme liability decreased to £15,365k (2016: £16,525k)

Going Concern

Trustees are aware of their responsibilities to ensure that NatCen remains a going concern. NatCen has negative net assets due to its pension scheme liability but NatCen has an existing “deficit contribution” scheme agreed with the Pension Scheme Trustees (“PST”) which ensures that the liability can be repaid over a period of years.

Following the closure to future accrual of the defined benefit pension scheme in March 2016 the charity negotiated a deficit contribution holiday from October 2016 to March 2019 as part of the strategy to return NatCen to profitability and provide funding to clear down the deficit over the coming years. For this reason the Trustees believe that it is very unlikely that NatCen will be unable to meet its obligations as a result of a demand for payment from the PST.

The pension scheme liability, which is required to be recorded in NatCen’s balance sheet under FRS102 can cause large movements in NatCen’s net assets. The valuation of the pension scheme liability results from a number of factors including actuarial assumptions used such as corporate bond yields, and the movement in these assumptions are largely outside of the control of the charity. As a result the liability to the pension scheme has moved up and down as follows (including the costs of curtailment in 2016):

	£K
2011:	(9,391)
2012:	(14,538)
2013:	(7,000)
2014:	(11,639)
2015:	(13,880)
2016:	(23,910)
2017:	(23,785)

The pension scheme liability is very sensitive to a number of assumptions used in the calculation of the liability but equally has been left exposed by the falling returns in bond yields over recent years, something particularly exacerbated in 2016 by the market volatility experienced following the EU referendum. In the most recent valuation however we have seen some stabilisation of the market and some significant growth in scheme assets as stock market improved over the year.

The Trustees believe that the new business plan to deliver annual surpluses in excess of pension deficit contributions by 2019/20 onwards is achievable and that the existing holiday from pension deficit contributions gives NatCen the adequate opportunity to build cash reserves and make the necessary investments to deliver this. As a result, the company remains able to pay its liabilities and remains a going concern.

Reserves

Total funds held by NatCen at 30 June 2017 were negative £15.4m (2016 - £16.5m). All of these funds are unrestricted.

As Trustees, we review the level of funds against our reserves policy at least twice a year to ensure that it meets NatCen Social Research’s changing needs and circumstances. The policy itself is reviewed as part of our annual review of accounting policies with a full formal review conducted at least once every three years.

Free reserves are defined as the general fund less tangible fixed assets not already represented by separate designated funds (property funds of £5.9m including the revaluation reserve of £2.9m), before the FRS102 pension liability.

Trustees consider it desirable to hold free reserves based on operating cash flow for fixed overheads. This is a change from the previous policy which was based on all business costs as this required all direct project related costs to be included. Direct project costs are by their nature variable and come and go with the acquisition or loss of

these projects and can create a rapid increase or decrease in costs without reflecting any fundamental change to the costs of sustaining the business.

The Trustees consider that free reserves equating to two months operating cash flow for fixed overhead (£2.4million) is in their opinion a reasonable initial target reserve level to mitigate any business interruption due to unforeseen events. The Trustees wish to then grow the free reserves level to six months operating cash flow for fixed overhead over the medium term as they consider this to be the desirable position.

Operating cash flow for fixed overhead is defined as the cash requirements to cover all costs not incurred solely for the purposes of delivering client projects and principally includes staff salaries, building and office costs, IT equipment, software and licences, professional fees and any other overhead which cannot be terminated without further cost due to the termination of a project. In addition the operating cash flow for fixed overhead includes all scheduled cash payments against the defined benefit pension scheme deficit.

Of the total funds held by NatCen of negative £15.4m there is one fund materially in deficit, the Pension Reserve, which has a deficit of £23.8m. The deficit has arisen in common with most defined benefit schemes over the last two decades due to falling future investment yields and increasing life expectancy which has left the majority of such schemes underfunded. The scheme was closed in March 2016 in agreement with the Pension Trustees and the scheme members and an agreed contribution payment plan of £1,218,000 per year was put in place. As part of the closure to future accrual, it was further agreed that a payment holiday of 30 months would be taken from October 2016 to March 2019 in respect of these contributions.

At 30 June 2017, we held positive free reserves of £0.6m which constitutes 0.5 months operating cash flow (2016 – negative £0.8m). The free reserves at 30 June 2017 are below target and we plan to rebuild reserves in coming years. Based on our revised business

plan for 2017-2020 we aim to reach the initial target level during this three year period. In doing so, this will provide the required positive cash flow to support both the scheduled pension scheme deficit reduction payments and future investment.

This plan has been approved by the Trustees and alongside the pension deficit repayment holiday forms the basis for the continued going concern status confirmed in the financial review section.

Risk Management

The Trustees recognise their responsibility for the oversight of key risks facing the organisation. During the year Trustees have reviewed and approved a risk register, which is updated regularly, to ensure that all of the key risks facing the organisation have been identified, that their likelihood and impact have been appropriately assessed, and that controls are in place to mitigate the effects of these risks. The risk register covers both direct financial risks but also non-financial risks, such as the risk of falling response rates or other quality issues.

Day to day identification and management of risks is delegated to the Chief Executive and the Leadership Team. The register is maintained by the Finance Director and risks are regularly reviewed by the Leadership Team in the ordinary course of business.

Key risks and mitigations identified on the risk register are:

Going Concern/Financial Sustainability

The Trustees recognise that following several years of deficit NatCen has net liabilities and operates in an increasingly competitive marketplace with severe margin pressure. This has placed a strain on the financial reserves and the financial sustainability of NatCen.

The Trustees believe that the new 3 year plan approved in 2017 with the aim of building the charity to deliver a surplus in excess of the annual pension scheme deficit contributions by 2019/20 allied to the deficit contribution holiday for the pension scheme will provide

NatCen with the financial resources to deliver the plan and cover all foreseeable future obligations.

Market risk and Competition

NatCen competes for business and contracts with other significant providers of social research. It is dependent for its financial sustainability on its ability to tender for, and win, contracts in the future. This is part of its normal course of business. NatCen is therefore subject to the risk that either the market shrinks, or that it fails to maintain its market share. NatCen is reliant on Government contracts and therefore is at risk from reductions in spending by relevant Government departments.

NatCen is actively seeking to widen its client base but also work within more strategic partnerships with other agencies on major projects to share capacity and risk.

NatCen is actively seeking to widen its client base but also work within more strategic partnerships with other agencies on major projects to share capacity and risk.

Pensions

The defined benefit pension scheme liability is large by comparison with its other assets. The pension scheme position needs to be fully understood and managed so that its effect on NatCen's financial position can be managed.

NatCen has a payment holiday until April 2019 in respect of the yearly deficit contributions of £1,218,000 to the scheme. Deficit contributions will then be paid monthly over a period of 14 years and 2 months.

Plans for Future Periods

A new permanent Leadership Team was put in place in May 2016 and tasked with refining and delivering a plan developed by the previous interim management team. The refined plan was approved by the Trustees in July 2016 and formed the communicated targets throughout the organisation and the metrics by which organisational performance would be measured. This plan focussed on four key areas:

- Income growth through diversification of client base, being more competitive on large surveys, widening of research offerings and delivering added value consultancy services;
- Improvement in working practices to improve efficiency and productivity of research methods and practices;
- Improved efficiency of data collection services and widening of data collection options offered to clients;
- Constant focus on cost containment and improving value for money in all purchasing.

During the year the expectations and focusses were under constant review and adaptation and as a result a revised plan for the coming three years was developed. This plan focusses on two key areas to remove overlap between the programs but to also refine them in light of the reality of the market place we are now in:

- Income growth. This key area will always remain but is now more focussed on diversification into new areas of methodology and client base but also on forging strategic partnerships across academia and similar not for profit institutions as ourselves.
- Quality and excellence. This replaces improvement in working practices and improved efficiency but has a wider remit to improve quality across the organisation in not only how we do things but what we offer the client.

Cost containment is now a part of the organisation's working practices and is no longer a unique key focus area.

The revised plan will form the communicated targets throughout the organisation and the metrics by which organisational performance would be measured from 2017/18 onwards.

We will continue to grow income whilst improving margins through our transformation goals to bring the organisation back to levels of annual surplus by the start of the 2019/20 financial year that will both support the cash generation required to cover the defined benefit pension scheme deficit reduction payments, which will restart in April 2019, and provide for the continued investment to maintain that level of surplus.

Alongside the revised three year business plan, the Leadership Team has set a longer term strategy to 2025 to reposition NatCen for the future to ensure relevance and the platform to continue to grow and deliver its charitable aims.

Cost containment is now a part of the organisation's working practices and is no longer a unique key focus area.

Trustees' statement of responsibilities.

5.

The Trustees, who are also the Directors of NatCen for the purposes of company law, are responsible for preparing the Trustees' Annual Report (including the Strategic Report) and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (UK Generally Accepted Accounting Practice).

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

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

The Trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006, the Charities and Trustees Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

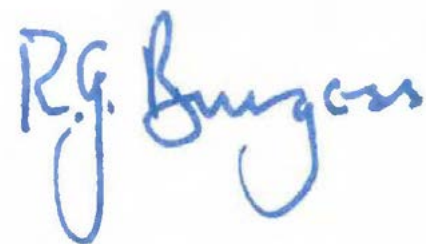
As far as the Trustees are aware:

- there is no relevant audit information of which the charitable company's auditor is unaware; and
- the Trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

The Trustees are 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.

This report including the strategic report (shown under the following headings; Charitable Objectives (included within Structure Governance and Management), Activities and Public Benefits and Financial Review) was approved by the Trustees in their capacity as Directors and signed on their behalf by Professor Sir Robert Burgess, Chairman of the Board of Trustees.



18 October 2017

Independent Auditor's report

6.

Independent Auditor's report to the Trustees and members of NatCen Social Research

Opinion on financial statements

We have audited the financial statements of NatCen Social Research (the 'charitable company') for the year ended 30 June 2017 which comprise the Statement of Financial Activities including summary income and expenditure account, the Balance Sheet, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 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 charitable company's affairs as at 30 June 2017 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Basis for opinion

We have been appointed auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report to you in accordance with regulations made under those Acts.

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 charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

- the Trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the 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 Trustees 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.

Opinion on other matter prescribed by the Companies Act 2006

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

- the information given in the Trustees' Annual Report and the incorporated Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Trustees' Annual Report and the incorporated Strategic Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Trustees' Annual Report and the incorporated Strategic Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 and the Charities Accounts (Scotland) Regulations 2006 (as amended) require us to report to you if, in our opinion:

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

Respective responsibilities of Trustees

As explained more fully in the Statement of Trustees' responsibilities set out on page 29, the Trustees' (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustees are responsible for assessing the charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intend to liquidate the 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 <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

This report is made exclusively to the members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, and to the charity's Trustees, as a body, in accordance with section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 10 of the Charities Accounts (Scotland) Regulations 2006 (as amended). Our audit work has been undertaken so that we might state to the members and the charity's Trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity, its members as a body, and its Trustees as a body, for our audit work, for this report, or for the opinions we have formed.

RSM UK Audit LLP

HANNAH CATCHPOOL (Senior Statutory Auditor)

For and on behalf of **RSM UK AUDIT LLP**, Statutory Auditor

Chartered Accountants

25 Farringdon Street, London, EC4A 4AB

Date: 27 October 2017

RSM UK Audit LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

Financial statements



Statement of financial activities including the summary income and expenditure account for the year ended 30 June 2017

	Notes	2017	2016
		£	£
Income			
<i>Income from charitable activities:</i>			
Income from research studies	2	33,105,736	29,998,054
<i>Investment income:</i>			
Interest receivable		2,976	17,927
Total income		33,108,712	30,015,981
Expenditure			
<i>Expenditure on charitable activities</i>			
Research studies (recurring cost)	3	32,734,532	32,327,164
Research studies (Exceptional item: loss on curtailment of defined benefit scheme)	14	-	3,281,625
Total expenditure		32,734,532	35,608,789
Net income/(expenditure) for the year		374,180	(5,592,808)
Other recognised gains and losses			
<i>Remeasurement of defined benefit pension scheme liability</i>	14	685,681	(6,899,380)
Net movement in funds		1,059,861	(12,492,188)
Reconciliation of funds			
Fund balances brought forward	10	(16,524,985)	(4,032,797)
Fund balances carried forward	10	(15,465,124)	(16,524,985)

All amounts relate to continuing activities.

The Statement of Financial Activities includes all gains and losses recognised in the year.

All income and expenditure in both years relates to unrestricted funds.

Balance Sheet as at 30 June 2017

Company number: 04392418

	Notes	2017	2017	2016	2016
		£	£	£	£
Fixed assets					
Tangible fixed assets	6		7,723,698		8,192,560
Current assets					
Stocks	7	633,177		360,495	
Debtors	8	6,831,485		6,382,537	
Cash at bank and in hand		2,463,743		1,377,647	
		9,928,405		8,120,679	
Liabilities					
Creditors: amounts falling due within one year	9	(8,913,043)		(8,928,208)	
Net current assets/(liabilities)			1,015,362		(807,529)
Total assets less current liabilities			8,739,060		7,385,031
Creditors: amounts falling due after more than one year	9		(118,880)		-
Provisions	9		(300,000)		-
Net assets excluding pension scheme liability			8,320,180		7,385,031
Defined benefit pension scheme liability	14		(23,785,304)		(23,910,016)
Net liabilities including pension scheme liability			(15,465,124)		(16,524,985)
The funds of the charity					
Unrestricted funds					
General fund	10	2,340,180		1,405,031	
Unrestricted designated funds					
Property fund (including revaluation reserve £2,965,539)	10	5,980,000		5,980,000	
			8,320,180		7,385,031
Pension reserve	10		(23,785,304)		(23,910,016)
Total funds			(15,465,124)		(16,524,985)

The notes on pages 45 to 62 form part of these financial statements.

The financial statements on pages 41 to 62 were approved and authorised for issue by the Trustees and signed on their behalf by:

Professor Sir Robert Burgess, Chairman of the Board of Trustees

Date: 18 October 2017

Statement of Cash Flows for the Year Ended 30 June 2017

	Notes	2017	2017	2016	2016
		£	£	£	£
Cash provided by/(used in) operating activities	15		1,246,501		(1,351,270)
Cash flows from investing activities					
Bank interest received		2,976		17,927	
Cost of purchasing tangible fixed assets		(135,947)		(698,210)	
Net cash used in investing activities			(132,971)		(680,283)
Cash flows from financing activities					
Repayments of finance lease commitments		(27,434)			-
Net cash used in financing activities			(27,434)		
Increase/(decrease) in cash and cash equivalents in the year			1,086,096		(2,031,553)
Cash and cash equivalents at the beginning of the year			1,377,647		3,409,200
Cash and cash equivalents at the end of the year			<u>2,463,743</u>		<u>1,377,647</u>

Notes to the financial statements for the year ended 30 June 2017

1. Accounting policies

General information

NatCen is a charity registered in England and Wales (charity number: 1091768) and Scotland (SC038454), it is also a private company limited by guarantee without share capital. It was incorporated on 12 March 2002 (company number: 04392418) and registered as a charity on 26 April 2002. Details of the registered office can be found on page 3 and details of the principal activities can be found in the Trustees' Annual Report.

Basis of preparation

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) (effective 1 January 2015) – (Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

NatCen meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy note(s).

The financial statements are prepared in sterling, which is the functional currency of the entity. Monetary amounts in the financial statements are rounded to the nearest £.

Key judgements and assumptions

The cost of the defined benefit pension plan has been determined by updating the results of the 31 March 2016 full actuarial valuation to 30 June 2017. This was carried out by a qualified actuary independent of the charity. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of

the valuation, the underlying assumptions and the long term nature of the scheme, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, the management considers the market yields of AA corporate bonds consistent with the currency and term of the defined benefit obligation. The mortality rate is based on publicly available mortality tables, which uses data for UK self-administered pension schemes and allowing for expected future improvements in longevity. Future salary increases and pension increases are based on expected future inflation rates as determined by the Bank of England interest rate with a consistent term of the defined benefit obligation at the valuation date. Further details are given in Note 14.

Going concern

As stated in the Financial Review, Trustees regularly review the charity's financial position to ensure that it remains a going concern. Following the closure to future accrual of the defined benefit pension scheme in March 2016 the charity has negotiated a deficit contribution holiday from October 2016 to March 2019 as part of the strategy to return NatCen to profitability and provide funding to clear down the deficit over the coming years. For this reason Trustees believe that it is very unlikely that NatCen will be unable to meet its obligations as a result of a demand for payment from the Pension Scheme Trustees.

The Trustees believe that the new business plan to deliver annual surpluses in excess of pension deficit contributions by 2019/20 onwards is achievable and that the existing holiday from pension deficit contributions gives NatCen the adequate opportunity to build cash reserves and make the necessary investments to deliver this.

The Trustees have therefore concluded that it is appropriate to treat the charity as a going concern when preparing these financial statements.

Income recognition

Income is recognised when the Charity has entitlement to the funds, any performance conditions have been met, it is probable that the income will be received and the amount can be measured reliably.

Income is recognised in the accounts as follows:

Project income including grants.

Project income, whether derived from contracts or grants and net of VAT where applicable, is recognised on an accruals basis based on stage of completion. Project expenditure is also accounted for on an accruals basis based on stage of completion. This satisfies the requirement to account for revenue and costs in accordance with performance under the contract. Where independent work streams are delivered by NatCen and third party contract collaborators under one contract the costs and income for each work stream is recognised independently but on the same accruals basis based on stage of completion. This satisfies the requirement to account for revenue and costs in accordance with performance under the contract. Invoices presented in advance of costs being incurred are recorded as project deferred income within creditors. Income for work completed but not yet invoiced is recorded as project accrued income within debtors.

Expenditure recognition

Expenditure is recognised once there is a legal or constructive obligation to make a payment to a third party, it is probable that settlement will be required and the amount of obligation can be measured reliably.

Expenditure is included in the accounts as follows:

a) Respondent incentives.

Respondents are given cash and voucher incentives for survey participation. At the point at which the incentive is provided to the respondent, an expense is recorded against the relevant project. Where NatCen

is able to reclaim un-cashed vouchers, the expense is reduced based on an estimate of historical encashment rates.

b) Operating leases.

Rental payments for operating leases are charged to expenditure on a straight line basis over the term of the lease.

c) Charitable activity expenditure.

All expenditure is classified in the Statement of Financial Activities as research studies.

d) Governance costs.

Governance costs are included in support costs. They include:

- 10% of staff costs of the employees who are engaged in governance activity;
- All direct costs for governance activities including Trustee expenses and indemnity insurance, legal, external audit and professional support costs; and
- 2% of overhead costs pertinent to these governance activities.

e) Support costs.

Support costs are those functions that assist the work of the Charity but do not directly undertake charitable activities. Support costs are apportioned based on revenue between charitable activities of Policy Research and Survey Research undertaken in the year.

Fund accounting

a) Unrestricted Funds can be used on the charitable objects as the Trustees see fit, and are further subdivided into **general funds and designated funds** which are earmarked for a particular purpose by the Trustees.

NatCen's only **designated fund** is the value of our freehold London properties. (2017 and 2016: £5,980,000).

b) Restricted Funds are funds which are to be used in accordance with specific restrictions imposed by the client. The Charity does not have restricted funds.

Tangible fixed assets

a) Capitalisation. Tangible fixed assets are capitalised where they exceed £5,000 as single or grouped assets. With the exception of freehold property and land, tangible fixed assets are initially recorded at cost and subsequently measured at cost less depreciation and any impairment. Freehold property and land is initially recognised at cost and subsequently recorded at market value, based on a full third party valuation every five years and an interim valuation in the third year after the full valuation, and any subsequent impairment. Gains and losses on valuation are recognised in the Statement of Financial Activities.

b) Depreciation. Depreciation of fixed assets is provided at annual rates which will write down the assets to their residual value over their useful lives, as follows:

Freehold property and land	Land has an indefinite life and therefore no annual depreciation charged. The expected useful economic life of the freehold property results in immaterial depreciation and therefore is not charged.
Leasehold improvements	Costs spread equally over 5 years from date of installation.
Fixtures, fittings and non-electronic equipment	Costs spread equally over 5-10 years from date of installation.
Computers, software and electronic equipment	Costs spread equally over 5 years from date of installation.
Assets under construction	No annual depreciation is charged until the asset is brought into use and transferred into the relevant asset heading above.

Fixed asset impairment reviews on all tangible fixed assets are conducted by the management when changes in circumstances indicate that impairment may have occurred in accordance with FRS 102, section 27 “Impairment of Assets”.

Finance leases

Assets under finance leases are capitalised in the balance sheet and depreciated under the shorter of the lease term or their useful economic lives. The cost of interest under the terms of the finance lease is charged to the Statement of Financial Activities on a straight line basis over the period of the lease.

Foreign currency

Income and expenditure in foreign currencies are recorded in Sterling at the exchange rate applicable at the time of the transaction. Any outstanding balances at the end of the accounting period are translated at the closing rate. Exchange gains and losses are recognised in the Statement of Financial Activities.

Stock

The value of stock relates to items held to be used as respondent incentives and is stated at the lowest of cost and net realisable value. Cost is determined on a First In First Out (FIFO) basis.

Financial instruments

NatCen only has financial assets (trade debtors, project accrued income and other debtors) and financial liabilities (trade creditors, accruals, finance lease and other liabilities) of a kind that qualify as basic financial instruments which are recognised at their settlement amount.

Creditors and provisions

Creditors and provisions are recognised where the charity has a present obligation resulting from a past event that will probably result in a transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably.

VAT

On 1 August 2013, the exemption of business research supplied between eligible bodies was removed. Research contracts signed after that date have attracted VAT at the UK standard rate. Research grants remain outside the scope of VAT and educational activities remain exempt. Input VAT on overheads and mixed-income projects is subject to a partial exemption method agreed with HM Revenue & Customs. Irrecoverable VAT has been included within the relevant expenditure or asset category.

Taxation

NatCen is a registered charity within the meaning of Part 4 of the Charities Act 2011 and Section 6 of the Finance Act 2010. Accordingly, NatCen is exempt from taxation in respect of income or capital gains received within categories covered by Section 478-488 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes for public benefit.

Termination benefits

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

Retirement benefits

For the defined benefit retirement plan, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date.

The amount recognised in the balance sheet represents the present value of the defined benefit obligation, less the fair value of plan assets. The rate used to discount the benefit obligation is based on market yields for high quality corporate bonds with terms and currencies consistent with those of the benefit obligation.

Actuarial gains and losses arising are recognised immediately in other recognised gains and losses in the Statement of Financial Activities together with the return on plan assets, less amounts included in net interest.

Net interest on the pension scheme liability is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of the plan assets, and is included in expenditure in the Statement of Financial Activities.

Gains and losses on curtailments and settlements are recognised in net income/ expenditure when the curtailment or settlement occurs.

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

2. Income from research studies

With the exception of investment income, NatCen derives all of its income from research projects which fund all specific project costs and other administrative costs. NatCen receives no donations, payments in kind or core funding towards the general pursuit of its charitable aims.

Policy Research is work carried out in relation to the direct and immediately identifiable impact of individual policy decisions, Survey Research is repeated measurement of social impact to observe trends across long term time frames.

Research income arose from the following sources:	2017	2016
	£	£
Policy Research	4,207,276	5,269,392
Survey Research	28,890,702	24,624,013
Other	7,758	104,649
Total income from research studies	33,105,736	29,998,054

A foreign exchange loss of £16,743 has been recognised in 2017 (2016: loss of £2,024).

3. Analysis of expenditure on charitable activities

	Policy Research	Survey Research	2017	2016
	£	£	£	£
<i>Charitable activities</i>				
Direct project costs	1,764,353	13,916,537	15,680,890	13,942,753
Indirect project costs	605,407	5,945,186	6,550,593	6,390,628
Direct research costs	1,018,313	886,396	1,904,709	1,908,273
Property costs	439,118	689,754	1,128,872	767,159
IT costs	93,849	643,731	737,580	726,596
Non-payroll staff costs	86,892	520,570	607,462	1,094,186
Depreciation	100,075	686,535	786,610	654,824
Irrecoverable VAT	16,006	109,806	125,812	367,060
Restructuring costs	28,963	223,892	252,855	275,255
Service costs	71,120	1,262,060	1,333,180	1,643,538
Support costs	471,376	3,154,593	3,625,969	4,556,892
Total non-exceptional resources expended	4,695,472	28,039,060	32,734,532	32,327,164

Restructuring costs include termination payments of £27,989 (2016: £275,255).

Support costs

	2017	2016
	£	£
Management	252,918	385,615
Marketing & Comms	382,247	425,928
Human Resources	294,384	952,390
Finance	1,412,369	1,219,015
IT	865,204	983,878
Facilities	235,231	295,175
Governance	183,616	294,891
Total	3,625,969	4,556,892

Costs of £170,759 in relation to NatCen Learning have been included within finance support costs in 2016 and apportioned to charitable activities based on revenue.

Prior year adjustments have been made to correct the allocation of expenditure in the prior year to finance support costs (an increase of £563,922), direct project costs (a decrease of £563,922), facilities support costs (an increase of £295,175) and property costs (a decrease of £295,175). These adjustments are corrections to allocations only and have no impact on total expenditure.

Net expenditure is stated after charging:

	2017	2016
	£	£
Fees payable to charity's auditors for audit of annual financial statements (net of VAT)	35,500	36,890
Underaccrual of previous year's audit fee	-	16,757
Depreciation - owned assets	786,610	654,824
Loss on asset disposal	1,092	9,316
Operating lease rentals		
- land and buildings	560,330	539,402
- other	20,696	21,831
Stock expensed	1,204,161	1,017,859
Finance lease interest	2,485	-

4. Staff costs

	2017	2016
	£	£
Wages & salaries		
Direct employees	8,967,623	8,387,732
Temporary, freelance and casual workers	6,064,425	5,352,830
Social security costs		
Direct employees	886,631	763,078
Temporary, freelance and casual workers	246,240	186,703
Pension costs		
Employer's contributions to defined contribution schemes	481,990	252,531
Operating costs of the defined benefit scheme (including curtailment costs)	150,469	4,390,136
	16,797,378	19,333,010

The cost (in addition to the above) of temporary/interim staff employed through an agency or on a consultancy basis was £423,180 which included one member of the interim leadership team at a cost of £4,500 (2016: £855,618 including £502,186 for three members of the interim leadership team).

Termination payments paid in full in the year were £27,989 (2016: £275,255) which are included in wages and salaries above.

	2017	2016
The average monthly number of employees during the year was as follows:		
Direct employees		
Research	140	132
Field	68	70
IT	31	34
Other support including CEO	19	21
	258	257

The variance in staff across departments from 2015-2016 is a result of the restructuring in the year and staff re-allocations.

NatCen Social Research employed 242 full-time equivalent staff at 30 June 2017 (2016: 238).

	2017	2016
Temporary, freelance and casual workers (average monthly)		
Research and data collection	916	968

	2017	2016
The number of higher paid employees was as follows:		
Taxable emoluments band		
£60,001 - £70,000	5	7
£70,001 - £80,000	5	3
£110,001 - £120,000	1	-
£140,001 - £150,000	1	-
	12	10

The total employee benefits of the key management personnel (as detailed on page 12) of the charity were £143,000 (2016: £214,300).

5. Trustee insurance, expenses and related parties

Indemnity insurance for management and corporate liability providing £5m of cover (reducing to £0.25m for Employment Practices Liability cover) has been taken out on behalf of the Trustees at an annual cost of £10,070 (2016: £10,025).

No Trustees received remuneration in the year (2016: £Nil). Travel and accommodation expenditure incurred by the Trustees associated with attendance at Trustee meetings held in London during the year was reimbursed where claimed. The total expenses for 3 Trustees reimbursed this year amounted to £1,607 (2016: £4,147 - 5 Trustees).

Trustee Transactions

The Trustees are involved in a variety of organisations, some of which are either suppliers to, or clients or partners of, NatCen. The Trustees were not personally involved in these contractual decisions, did not have a controlling interest in either party and received no personal gain from the transactions. Whilst these transactions do not represent related party transactions for financial reporting purposes, the Board has agreed that it is important to disclose these transactions in the interest of transparency and good governance.

Professor Sir Robert Burgess

- University of Leicester (Former Vice Chancellor): Payments totalling £24,614 (2016: £150,000) to the University for work undertaken by staff at the University on a research project.

James Thickett

- Member of the Market Research Society. NatCen paid £1,470 (2016: £1,685) to the Market Research Society for subscription services.

There were no outstanding balances at the year end in respect of Trustee transactions.

In addition, Alan Botterill is a Trustee of the Defined Benefit Pension Scheme. It is a recognised conflict of interest that is actively managed during the course of Trustee business by the early identification of potential areas of conflict and taking any necessary actions to manage this.

6. Tangible fixed assets

	Freehold land & property	Leasehold improvements	Computers, software & electronic equipment	Fixtures, fittings & non-electronic equipment	Assets under construction	Total
	£	£	£	£	£	£
Cost or valuation						
At 1 July 2016	5,980,000	112,083	3,422,902	119,732	557,794	10,192,511
Additions	-	4,726	275,183		38,931	318,840
Disposals	-	-	(2,584)	-	-	(2,584)
Transfers	-	-	278,188	279,606	(557,794)	-
At 30 June 2017	5,980,000	116,809	3,973,689	399,338	38,931	10,508,767
Depreciation						
At 1 July 2016	-	34,680	1,924,213	41,058	-	1,999,951
Charge for the year	-	22,429	713,124	51,057	-	786,610
Disposals	-	-	(1,492)	-	-	(1,492)
Transfers	-	-	(201,198)	201,198	-	-
At 30 June 2017	-	57,109	2,434,647	293,313	-	2,785,069
Net book value						
At 30 June 2017	5,980,000	59,700	1,539,042	106,025	38,931	7,723,698
At 30 June 2016	5,980,000	77,403	1,498,689	78,674	557,794	8,192,560

The historical cost of NatCen's freehold properties is £3,014,461. A valuation of NatCen's freehold properties (35 Northampton Square, EC1 and 14 Wyclif Street, EC1) was carried out by David Eden MRICS, of Strutt & Parker LLP in July 2015. The value assigned to the properties on an 'Existing Use basis' was £5,980,000 and a revaluation gain was recognised in the year to 30 June 2015. The Trustees believed that there was no material difference between the value of the properties in July 2015 when the revaluation was carried out and the value at 30 June 2015 when the revaluation was recognised.

The bank holds a charge over the properties as security for the overdraft facility. The Trustees of the defined benefit pension scheme also hold a charge over the properties as security for the pension liability.

The carrying value of computer equipment held under a finance lease is £158,507 (2016: nil).

7. Stocks and work in progress

	2017	2016
	£	£
Stocks	633,177	360,495

8. Debtors

	2017	2016
	£	£
Trade debtors	4,962,878	4,720,894
Project accrued income	1,329,470	1,129,817
Other debtors	21,663	24,166
Prepayments	517,474	507,660
	6,831,485	6,382,537

9. Creditors: amounts falling due within one year

	2017	2016
	£	£
Trade creditors	965,894	631,221
Project deferred income *	3,896,414	3,902,194
Tax and social security	1,053,459	728,335
Accruals	2,884,013	3,573,479
Finance lease liability	36,579	-
Other liabilities	76,684	92,979
	8,913,043	8,928,208

* Project deferred income refers to work that has been paid for by clients in advance of performance. The relevant income is recognised when the work has been performed.

	2017	2016
	£	£
* Project deferred income		
At 1 July	3,902,194	4,239,892
Deferred during the year	3,896,414	3,902,194
Released to the Statement of Financial Activities in the year	(3,902,194)	(4,239,892)
At 30 June	3,896,414	3,902,194

Creditors and provisions: amounts falling due after more than one year

	2017	2016
	£	£
Finance lease liability	118,880	-
Provision	300,000	-
	418,880	-

The provision relates to quoted estimated dilapidation costs for a leased office required under the current lease due to expire in May 2023. The only uncertainty as to the accuracy of the estimated cost is whether there will be additional environmental surcharges on the disposal of office equipment and furniture.

Finance lease liability

	2017	2016
	£	£
Total minimum payments payable under finance leases due within:		
1 year	36,579	-
2 - 5 years	118,880	-
Over 5 years	-	-
Total	155,459	-

NatCen has the option to purchase the equipment upon expiry of the finance lease by paying an option fee of £100.

10. Funds

Movement in funds for the year ended 30 June 2017					
	Balance at 1 July 2016	Income	Expenditure	Gains and revaluations	Balance at 30 June 2017
	£	£	£	£	£
<i>Unrestricted funds</i>					
General fund	1,405,031	33,108,712	(32,173,563)	-	2,340,180
Designated fund-property:					
at cost	3,014,461	-	-	-	3,014,461
revaluation	2,965,539	-	-	-	2,965,539
	5,980,000	-	-	-	5,980,000
Pension reserve	(23,910,016)	-	(560,969)	685,681	(23,785,304)
Total	(16,524,985)	33,108,712	(32,734,532)	685,681	(15,465,124)

Movement in funds for the year ended 30 June 2016					
	Balance at 1 July 2015	Income	Expenditure	Gains and revaluations	Balance at 30 June 2016
	£	£	£	£	£
<i>Unrestricted funds</i>					
General fund	3,867,533	30,015,981	(32,478,483)	-	1,405,031
Designated fund-property:					
at cost	3,014,461	-	-	-	3,014,461
revaluation	2,965,539	-	-	-	2,965,539
	5,980,000	-	-	-	5,980,000
Pension reserve	(13,880,330)	-	(3,130,306)	(6,899,380)	(23,910,016)
Total	(4,032,797)	30,015,981	(35,608,789)	(6,899,380)	(16,524,985)

11. Analysis of net assets between funds

For the year ended 30 June 2017				
	Fixed assets	Net current assets less creditors due after one year	Defined benefit pension scheme liability	Total
	£	£	£	£
<i>Unrestricted funds</i>				
General fund	1,743,698	596,482	-	2,340,180
Property fund	5,980,000	-	-	5,980,000
Pension reserve	-	-	(23,785,304)	(23,785,304)
	7,723,698	596,482	(23,785,304)	(15,465,124)

For the year ended 30 June 2016				
	Fixed assets	Net current liabilities	Defined benefit pension scheme liability	Total
	£	£	£	£
<i>Unrestricted funds</i>				
General fund	2,212,560	(807,529)	-	1,405,031
Property fund	5,980,000	-	-	5,980,000
Pension reserve	-	-	(23,910,016)	(23,910,016)
	8,192,560	(807,529)	(23,910,016)	(16,524,985)

12. Company status and membership

The company is a private company limited by guarantee and does not have a share capital. In the event of the company being wound up, the liability of each member is limited to £1. At the year end there were 11 members.

13. Operating leases

Total minimum payments payable for land and buildings under operating leases due within:		
	2017	2016
	£	£
1 year	667,820	667,820
2 - 5 years	2,433,125	2,496,633
Over 5 years	553,953	1,158,265
Total	3,654,898	4,322,718

Total minimum payments payable for other operating leases due within:		
	2017	2016
	£	£
1 year	14,613	18,925
2 - 5 years	29,225	-
Total	43,838	18,925

14. Retirement benefit schemes

Overview of schemes in operation

NatCen operates two retirement benefit schemes: the first is a defined contribution scheme that was opened to new members on 1 July 2010. The second is a defined benefit scheme which was closed to all new NatCen employees at the same date. In addition, NatCen also contributes to two pension schemes following the commencement of auto enrolment.

Defined contribution scheme

The defined contribution scheme is a Group Personal Pension Plan with staff contributions being invested with Scottish Widows. Employee and employer contributions are paid directly to Scottish Widows who hold the funds in a personal account for the employee. Contributions invested by Scottish Widows are invested in funds selected by the employee from a range on offer. NatCen, as the employer, contributes 7.5% of the employee's salary with employees contributing a minimum of 4%.

There were 147 members at 30 June 2017 (2016: 140). The contributions payable by NatCen charged to profit or loss totalled £402,267 (2016: £182,292) of which £34,502 are included in creditors at the year end (2016: £31,868)

The default retirement age is 66, although benefits may be taken from age 55. The level of benefits at retirement is dependent on the value of the funds accrued, retirement age and type of retirement benefits selected.

Auto enrolment

To encourage greater pension savings, the Government has introduced auto enrolment. This requires employers to enrol eligible employees into a pension scheme automatically. Eligible staff and freelancers working with NatCen have been enrolled automatically from 1 October 2013. The staff scheme is operated by Scottish Widows, and the freelancer scheme is operated by The People's Pension. There were 85 members of staff contributing to the Scottish Widows auto-enrolment scheme at 30 June 2017

(2016: 81) and NatCen's contribution to the scheme in 2017 was £79,723 (2016: £70,239) of which £6,874 are included in creditors at the year end (2016: £6,320)

Defined benefit scheme

NatCen sponsors the National Centre for Social Research Retirement Benefits Scheme ("the Scheme") which is a funded defined benefit arrangement. This is a separate Trustee administered fund holding the pension scheme assets to meet long term pension liabilities. With effect from 1 January 2007, the benefits were accrued on a Career Average Revalued Earnings ("CARE") basis. With effect from 1 July 2010 the accrual rate changed to 1.4% and the Normal Retirement Age was changed to age 66. Member contributions were also increased to 8.75% of pensionable earnings and such contributions would be by Salary Sacrifice unless members have opted otherwise. The scheme was closed to future accrual in March 2016.

The Trustees of the scheme are required to act in the best interest of the scheme's beneficiaries. The appointment of the Trustees is determined by the scheme's trust documentation. It is policy that one third of all Trustees should be nominated by the members.

A full actuarial valuation was carried out as at 31 March 2016 in accordance with the scheme funding requirements of the Pensions Act 2004 and the funding of the scheme is agreed between NatCen and the Trustees in line with those requirements. These in particular require the surplus / deficit to be calculated using prudent, as opposed to best estimate actuarial assumptions.

The actuarial valuation showed a deficit of £33,876,000. Monthly contributions of £101,500 in respect of the deficit were paid from April 2016 to September 2016. A payment holiday has been agreed from October 2016 to March 2019. NatCen has agreed with the Trustees that it will aim to eliminate the deficit over a period of 14 years and 2 months from 1 April 2019 by the payment of annual contributions of £1,218,000 in respect of the deficit. These payments will increase annually on each 1 April by 2%. The scheme ceased accrual on 31 March 2016. The one off curtailment costs in 2016 of £3,281,625 reflect that the accrued benefits of members of the pension scheme who remain active employees of NatCen will be revalued annually at the same rate that applied before the scheme was closed to future accrual (which is in line with increases in RPI with a cap of 5%), which is normally higher than statutory requirements. NatCen will also pay amounts into the scheme equal to the levy payments made by the scheme to the Pension Protection Fund, insurance premiums for death in service benefits/ management and administration expenses.

The next full actuarial valuation is due to be prepared as at 30 June 2019.

For the purposes of FRS102 the actuarial valuation as at 31 March 2016, which was carried out by a qualified independent actuary, has been updated on an approximate basis to 30 June 2017.

Present values of scheme liabilities, fair value of assets and deficit

	2017	2016
	£	£
Fair value of scheme assets	59,528,858	55,493,578
Present value of scheme liabilities	(83,314,162)	(79,403,594)
Deficit in scheme recognised as a liability	(23,785,304)	(23,910,016)

The present value of scheme liabilities is measured by discounting the best estimate of future cash flows to be paid out by the scheme using the projected unit method. The value calculated in this way is reflected in the net liability in the balance sheet as shown above.

A further measure of the scheme liabilities is the solvency basis, often taken as an estimate of the cost of buying out the benefits at the balance sheet date with a suitable insurer. This amount represents the amount that would be required to settle the scheme liabilities rather than NatCen continuing to fund the ongoing liabilities of the scheme. The estimated value of liabilities prepared for the Trustees of the pension scheme as at 31 March 2016 was £87,012,000 compared with assets at the same date of £53,136,000.

Changes in the present value of the defined benefit obligation

	2017	2016
	£	£
Defined benefit obligation at 1 July	79,403,594	66,015,287
Current service cost	64,074	1,046,620
Expenses	86,395	61,891
Interest cost	2,360,681	2,530,013
Contributions by scheme participants	-	5,242
Actuarial losses	2,984,995	8,045,017
Benefits paid, death in service premiums & expenses	(1,585,577)	(1,582,101)
Losses on curtailments*	-	3,281,625
Defined benefit obligation at 30 June	83,314,162	79,403,594

*Losses on curtailments: Please refer to section 4 of the Annual Report, Financial Review Overview.

Changes in the fair value of the plan assets

	2017	2016
	£	£
Plan assets at 1 July	55,493,578	52,134,957
Interest income	1,645,681	1,985,424
Return on plan assets less interest income	3,670,676	1,145,637
Contributions by NatCen Social Research	304,500	1,804,419
Contributions by scheme participants	-	5,242
Benefits paid, death in service premiums & expenses	(1,585,577)	(1,582,101)
Plan assets at 30 June	59,528,858	55,493,578

The actual return on the scheme assets in the year ending 30 June 2017 was £5,316,357.

Total expense recognised in the Statement of Financial Activities

	30 June 2017	30 June 2016
	£	£
Current service cost	64,074	1,046,620
Expenses	86,395	61,891
Net interest cost	715,000	544,589
Losses on curtailments	-	3,281,625
Total expense recognised in the Statement of Financial Activities	865,469	4,934,725

Statement of other recognised gains and losses

	30 June 2017	30 June 2016
	£	£
Return on plan assets less interest income	3,670,676	1,145,637
Actuarial losses	(2,984,995)	(8,045,017)
Total amount recognised in other recognised gains and losses – gain/(loss)	685,681	(6,899,380)

Assets

	30 June 2017	30 June 2016
	£	£
Equity	35,440,843	32,332,423
Corporate Bonds	8,003,751	7,954,311
Cash	9,312	88,702
Property	2,810,492	2,583,535
Government bonds	13,264,460	12,534,607
Total assets	59,528,858	55,493,578

None of the fair values of the assets shown above include any of NatCen's own financial instruments or any property occupied by, or other assets used by, NatCen.

It is the policy of the Trustees and of the NatCen pension scheme to review the investment strategy at the time of each funding valuation. The Trustees' investment objectives and the processes undertaken to measure and manage the risks inherent in the scheme investment strategy are documented in the scheme's Statement of Investment Principles.

Assumptions

	2017	2016
	% per annum	% per annum
Rate of discount	2.80	3.00
Inflation (RPI)	3.30	3.10
Inflation (CPI)	2.20	2.00
Salary increases	n/a	3.10
Allowance for revaluation of deferred pensions of CPI or 5% p.a. if less	2.20	2.00
Allowance for revaluation of deferred pensions of RPI or 5% p.a. if less	3.30	3.10
Allowance for pension in payment increases of CPI or 3% p.a. if less	2.00	1.80
Allowance for pension in payment increases of RPI or 5% p.a. if less, minimum 3% p.a.	3.70	3.50
Allowance for commutation of pension for cash at retirement	80% of Post A Day	80% of Post A Day

The mortality assumptions adopted at 30 June 2017 are 100% of the standard tables S2PxA, year of birth, no age rating for males and females, projected using CMI_2016 converging to 1.50% p.a. These imply the following life expectancies:

	Life expectancy at age 60
	(Years)
Male retiring in 2017	26.9
Female retiring in 2017	28.9
Male retiring in 2037	28.8
Female retiring in 2037	30.8

The best estimate of contributions to be paid by NatCen to the scheme for the year commencing 1 July 2017 is NIL.

15. Reconciliation of net income/(expenditure) to net cash flow from operating activities

	2017	2016
	£	£
<i>Net income/(expenditure) for the year (as per the statement of financial activities)</i>	374,180	(5,592,808)
Loss on disposal of fixed assets	1,092	9,316
Interest received	(2,976)	(17,927)
Depreciation charges	786,610	654,824
(Increase) in stocks	(272,682)	(100,382)
(Increase)/decrease in debtors	(448,948)	1,120,453
Increase/(decrease) in creditors	248,256	(555,052)
Pension cost less contributions payable (Note 14)	560,969	3,130,306
Net cash provided by/(used in) operating activities	1,246,501	(1,351,270)

