

NatCen

Social Research that works for society

Annual Report and Accounts

Year Ended 30 June 2018

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 Professor Sir Ian Diamond (resigned 14 February 2018) Barbara Noble James Thickett Maureen Duffy (resigned 16 July 2018) Dame Jil Matheson Stephen West Peter Havelock Walter Cormack Jude England Sue Heath (appointed 27 October 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

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1. Chairman's Introduction

The 2017-18 year has been a very successful one for the National Centre for Social Research (NatCen) with increased impact across our social research activities and a strong financial performance.

As Chairman of the Trustees, it is my pleasure to deliver the 2017-2018 annual report, along with audited financial statements for the year to 30 June 2018.

I have been especially pleased this year with the renewed focus on the importance of “quality” at NatCen, whether with respect to our excellence in qualitative methods, interviewing in sensitive circumstances or new initiatives emanating from our Survey Response Rate Board, chaired by the Chief Executive. NatCen has always had a fine reputation for being a high quality, independent and trusted organisation, of course, but the refreshing sense of priority and innovation in this area is most welcome.

As NatCen approaches 2019, its 50th anniversary, it is not just a time to reflect on our many successes but to look forward with new impetus to where we want to be. Our strategy, “Towards 2025” <http://www.natcen.ac.uk/about-us/our-strategy/>, sets us on the path to become The National Centre for Social Research, the place customers come first for research and evidence on social issues. As a charity, the high quality of our research, rather than commerciality, is at the heart of these aspirations. For example, NatCen is at an advanced stage in its preparations to launch a new Methodology and Innovation Hub in September 2018, under the leadership of Gerry Nicolaas, who joins us from Ipsos-MORI. We will be looking proactively at new and innovative methodologies, including in developing further the award-winning NatCen Panel.

We saw the importance of quality in much of our work this year - for example, in defining the “gig economy”, providing estimates of numbers of people working in it and detailed information about the characteristics of that work. The report had notable political impact and was cited in the Government's response to the Taylor Review of Modern Working Practices, the Good Work Plan. And, as the public has been increasingly divided over the future of Britain, it is crucial that NatCen is an independent voice in the big debates that help people understand society. With Britain's membership of the EU and Scottish independence high on the political agenda, our online projects “What Scotland Thinks” and “What UK Thinks” continue 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 ongoing period of Brexit negotiations.

High quality implies relevance to the public debate, as well as accuracy. The former has come into sharper focus this year with the convening by ScotCen (the Scottish arm of the organisation) of the Scottish Advisory Group on Evidence for Policy Making (SAGE-PM), a group of key influencers under the chair of Professor Sir Ian Diamond. As further powers are transferred from Westminster to the Scottish Parliament, the group has been taking a fresh look at the big themes affecting the Scottish economy and society, the extent to which the evidence base supports these and how best to ensure policy and public engagement with the evidence.

Our customer reach and impact has continued to grow 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. We continue to train many of the social scientists of the future through NatCen Learning. 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 had impact.

At the heart of our success remains our on-going excellence in designing and delivering many of the largest and most complex surveys and longitudinal studies needed for policy making. Our customers

put their trust in our capability and wealth of experience in this area, for example by renewing their contracts for the English Housing Survey and Understanding Society, in awarding us the National Child Development Study (in partnership with Kantar Public) and in supporting the consortia we are part of for the English Longitudinal Study of Ageing (ELSA) and the National Survey of Sexual Attitudes and Lifestyle (Natsal). These contracts provide a welcome endorsement from our customers and a solid base for our survey work into the future.

Of course, we recognise that the on-going emphasis on quality and impact can only be achieved if we have a financial model that works for NatCen. It is particularly reassuring to note that this is currently the case.

Our own financial performance has seen continued improvement, with revenues increasing to £33.4 million and an operating surplus of £1.25 million. In addition, our pension deficit reduced by £3.4 million in the year (an actuarial improvement) resulting in an overall improvement in our financial position of £4.6million. This is another excellent result for the organisation under its current Leadership Team. We retain an established long term plan in place to address our pension's deficit as defined in our reserves policy. Looking ahead, the contract awards already made for 2018-19 should help us grow our revenues further next year.

Our role as Trustees is to provide stewardship of the organisation. We have overseen many changes 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, as always, I would like to thank my colleagues on the Board for a job well done this year, for their ongoing commitment to NatCen and their continued willingness to lend their expertise, experience, challenge and insight. I would like to thank the dedicated staff at NatCen who develop the research and disseminate our findings. You are all part of an organisation that we can rightly be proud of and we look forward to celebrating those successes next year as we reach our 50th Birthday on 30 April 2019.

Sir Robert Burgess
Chair, National Centre for Social Research (NatCen)

Structure, governance and management

2.

2. Structure, governance and management

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 (04392418) 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.

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 2017/18 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
- Professor Sir Ian Diamond: Resigned 14 February 2018. Member of the Nominations and Remuneration Committees.
- Barbara Noble: Member of the Nominations Committee.
- James Thickett: Member of the Finance and General Purposes Committee
- Maureen Duffy: Resigned 16 July 2018. 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
- Peter Havelock: Member of the Audit and Risk and Fundraising Committees
- Walter Cormack: Member of the Audit and Risk Committee
- Jude England: Member of the Remuneration Committee
- Sue Heath: Appointed 27 October 2017. Member of the Finance and General Purposes Committee

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 2016/17, 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. This process continued in 2017/18 with the appointment of Professor Sue Heath.

On appointment, each Trustee completes a declaration of interests which is held within a register of interests and updated annually. 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.

Five committees (Audit and Risk, Nominations, Remuneration, Finance and General Purposes and Fundraising) 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 well-being 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 Director of Finance and Business Services 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.

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.

The fundraising currently undertaken by NatCen is limited to collecting donations from the public and selected corporate sponsors and we use the My Donate website to collect donations on our behalf or they can be remitted directly to NatCen. We also have a page on our website informing users how they can support NatCen. Donations can be made towards funding the events we plan to hold as part of our 50th Anniversary or as a friend of NatCen. We do not work with any commercial fundraisers but all donations are regularly monitored using the reporting supplied by My Donate. Currently we do not undertake any direct personal marketing to raise funds nor contact individuals directly. Our complaints policy is currently in development to be ratified by our trustees, we have received no complaints to date. Our practices are compliant with recognised standards for fundraising.

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
Deputy Chief Executive and Director of Policy Research Centre	Nancy Kelley
Director of Surveys, Data and Analysis	Gillian Prior
Director of Methods	Gerry Nicolaas

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 250 full-time equivalent staff for the year ended 30 June 2018 (2017: 242). 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, it has separate leadership reporting to the Leadership Team, in addition to working closely with the two Research Centres above.

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 Data Collection and 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.

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

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3. Activities and public benefit

How we delivered public benefit in 2017/18

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.

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 and the Family Resources Survey.

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

Gig Economy

The gig economy is something that is often talked about in the news, in stories discussing the internet, new forms of employment, insecurity and the future of work. However, there is no single agreed upon definition of what the term means, and statistics detailing the scope and characteristics of the phenomena are limited.

What we did: Commissioned by the Department for Business, Energy and Industrial Strategy (BEIS), we set out to define the gig economy, provide estimates of the numbers of people working in it and to provide detailed information about the characteristics of that work. We did this through using the NatCen Panel and the YouGov Omnibus.

What we found: We found that 4.4% of the population had worked in the gig economy in the past 12 months, with the most common type of employment being providing some kind of courier service. Incomes varied, but on the whole, gig economy earnings were relatively low, with 25% of respondents reporting an hourly income of less than £7.50. However, over 50% of respondents were happy with their experience in the sector, citing independence and flexibility as the main perks.

What happened next: The findings of the report were covered extensively by the Guardian newspaper. The report had a notable political impact and was cited in the government's response to the Taylor Review of Modern Working Practices, the Good Work Plan.

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 2017/18 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.

Impact case study

Racial Prejudice

The British Social Attitudes survey (BSA) has found a long term trend of social liberalisation in attitudes towards same sex couples, sex outside of marriage and abortion.

What we did: We took data from the BSA and the European Social Survey, comparing it with data from the NatCen Panel, to see whether this trend of social liberalisation was extending to racial prejudice as well. The Panel data was collected in March 2017, posing questions both online and over the phone.

What we found: 26% of people said that they were "very" or "a little" prejudiced towards people of other races. This meant that at no time since BSA began in 1983 has this number fallen below a quarter. We also found that 18% of respondents agreed that "some races or ethnic groups are born less intelligent". 44% say that some are naturally harder working than others.

What happened next: The findings were covered across the news sections of the national press and comment sections. The Deputy Chief Executive was interviewed on the Today Programme on Radio 4, and there was also further coverage on broadcast media.

To follow on from the publication, we held a roundtable event where we got experts on this subject from across charities, think tanks and the civil service to come and discuss our work. The event was held at NatCen and was jointly hosted with the Runnymede Trust.

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.

Impact case study

The Sainsbury's Living Well Index

The Sainsbury's Living Well Index is a collaborative piece of work with Sainsbury's and Oxford Economics that aims to understand well-being in Britain. It builds on existing well-being research, such as that used in the ONS 'Measures of National Well-being Dashboard', bringing measures of different elements of well-being into a single survey and providing insights on a more frequent and timely basis.

What we did: In 2017 we undertook a programme of literature review, qualitative research and cognitive testing to develop a questionnaire that provided a rounded picture of a person's well-being, taking into account everything from how satisfied they were with work and how often they interacted with their neighbours, to whether they were able to pay their bills and the air quality where they live. The first wave of the study took place in May 2017. Over 8,000 interviews were conducted using the NatCen Panel, coupled with a 'boost' sample from the Populus Live sample.

What we found: A 'Living Well Index' was constructed, a summary score for each individual measuring their well-being based on different elements of their life. The analysis found a wealth of insights, including that sleep quality and satisfaction with our sex lives were the biggest drivers of well-being, and that well-being varied through the life course.

What happened next: The initial findings were published in September 2017 with a report and website, including a tool that allows members of the public to get their own well-being score. They were also presented at an ONS conference. Coverage of the Index made the front pages of both the Times and Telegraph, and also made it onto Sky News and the Today Programme.

The study is currently on its third wave of data collection, with the next step to look at the data longitudinally to begin to understand the causal relationships of well-being, rather than just the associations.

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 ways that we do this is through the media. For example, in 2017/ 2018, The National Centre for Social Research was cited in 4,206 articles with 465 mentions in national newspapers, compared with 2,842 articles and 130 mentions in the previous year.

Impact case study

British Social Attitudes

The British Social Attitudes (BSA) report is NatCen's flagship survey 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 surveys of public opinion in the world. This year we explored how the British public views current global, social and economic challenges and whether we are as divided as it can seem on the questions that arise.

What we found: We found that when it comes to Brexit, Brits are split into two evenly sized groups who have coalesced around opposing views of the UK's future relationship with the EU. While age and education are major dividing lines in how we voted in the 2016 referendum and the 2017 General election, these divides could also be observed in other areas such as climate change and welfare. However, when it comes to social issues, age and education divides are narrowing and our trust in one another is as high as it has ever been.

What happened next: This year's British Social Attitudes survey generated extensive coverage across print, online and broadcast media, including the Financial Times, Sky News, The Guardian, The Sun, The Daily Mail, The Economist and BBC News Online. A number of big publications ran several different pieces on our chapters. In the week after publication, 607 articles referenced BSA with a total reach of 800,062,133. The BSA website received 14,715 page views on publication day.

We also made a big impact on Twitter with the likes of David Lammy MP and Brexit co-ordinator for the European Parliament, Guy Verhofstadt, tweeting our immigration findings.

The report was launched at an event at St Martin-in-the-Fields hosted with an introduction by Guy Goodwin. Following a presentation of the key findings by Roger Harding, Polly Mackenzie, Director of Britain's leading cross-party think tank Demos, took to the stage and discussed what the findings mean in a wider social context. Bringing together BSA authors and funders with delegates from political parties, civil service, media, corporates and civil society, the formal section of the event concluded with a thought-provoking audience Q&A.

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.

During the year, we have put in place plans to launch a new Methodology and Innovation Hub in 2018-19 which will extend further our national and international influence in this sphere.

Measuring our impact

Last year we began 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-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 pilot 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.

We expect to have completed the trialling of this new approach in late 2018 and will provide more evidence using the new methodology in future annual reports.

ScotCen Social Research

ScotCen is an integral part of NatCen, leading on social research and evaluations in Scotland from its Edinburgh-based office. It has an excellent reputation for high quality work and is firmly embedded in Scottish research, policy and media networks with researchers regularly presenting and discussing findings with policymakers in central and local government, the voluntary sector and academia.

ScotCen's high profile portfolio includes conducting many of the key national survey data collections, including the Growing Up in Scotland (GUS) study, the Scottish Health Survey (SHeS) (with the Office for National Statistics), the Scottish Social Attitudes Survey and the Scottish Crime and Justice Survey (with Ipsos-MORI). We also have conducted surveys as part of the Realigning Children's Services programme (RCS). These important social surveys provide vital information about our society in Scotland.

The GUS study provides important evidence to those making policies affecting children and young people in Scotland and to practitioners working across academia and the voluntary sector. This year has seen the publication of reports exploring Early Learning and Childcare use, among families with 5 year olds, and on patterns of maternal employment after the birth of a child. There have also been numerous studies published in academic journals which use GUS data. December saw GUS host its 10th annual conference at which guest speakers included Maree Todd MSP, Minister for Childcare and Early Years. There has been further political impact from the study, for example when Line Knudsen, one of our senior researchers, presented GUS findings to the relevant Ministerial Working Group.

ScotCen continues to offer a full range of services from policy research and evaluations to testing social research methods to complex analytical techniques. This year we have worked with National Records Scotland on testing possible Census questions. With EU and Scottish independence having been high on the political agenda, our online projects "What Scotland Thinks" and "What UK Thinks" have played an important ongoing role as a source of independent information on public attitudes to these issues. More recently, we have used the ScotCen Panel to explore public attitudes to care experienced children and young people for the Life Changes Trust (the first time public attitudes to this topic have been examined in Scotland).

ScotCen is also hosting the Scottish Advisory Group on Evidence for Policy Making (SAGE-PM), chaired by Professor Sir Ian Diamond, a group of key influencers engaged with improving the Scottish evidence base. We move into next year with a number of exciting new and ongoing projects, including a new round of the Realigning Children's Services Health and Well-being Surveys for the Scottish Government. They will measure the well-being of over 10,000 children aged between 9 and 12 living in three Scottish local authority areas. Other projects will include an examination of the effect of gambling, marketing and advertising on children, young people and vulnerable people for GambleAware and an evaluation of a distress brief intervention for the Scottish Government.

The coming year will also see the launch of our 10th sweep of data collection with the original birth cohort on the Growing Up in Scotland study - at which time, the children will be aged 14. ScotCen has been delivering this flagship longitudinal survey for the Scottish Government since its launch in 2005 when the children were aged just 10 months.

Impact case study

British Social Attitudes Survey: Focus on Scotland

In the 2016 EU referendum, the majority of Scots voted to “remain” in the European Union. This sparked discussion of whether this would lead to renewed calls for Scottish independence, with the prospect of the country being taken out of the European Union “against its will” being viewed as a significant enough event for Scotland to perhaps revisit the 2014 independence vote.

What we did: We used data collected from over 1200 people as part of the Scottish Social Attitudes survey to explore the impact that Brexit has had on questions of independence and nationalism in Scottish politics. The analysis then formed a chapter in this year’s British Social Attitudes survey, which was released in June ahead of the main report.

What we found: Our findings suggest that, although more Scots think independence would improve the country’s economy and global standing than did in 2014, the overall support for independence has not been significantly increased. We also found that there is an emerging alignment between people’s views on independence and their views on the EU, with pro-independence voters also now more likely to favour staying in the European Union.

What happened next: The report had substantial impact in the media and in policy circles, with it being covered extensively both in Scottish and UK-wide newspapers. Professor Sir John Curtice, our senior ScotCen fellow, was interviewed on STV to introduce the findings and Ian Montagu was interviewed by the BBC. The findings also had political impact with Nicola Sturgeon referring to them in an interview at her party’s conference and the SNP putting out a press release with political comment on our findings.

Financial Review

4.

4. Financial Review

Overview

2017/18 was the first year of the revised business plan year approved by the Trustees in 2017. This superseded the recovery plan approved in July 2016 as the actual turnaround in 2016/17 was fundamentally different from the original plan. The business plan was comprehensively reworked in light of the actual turnaround 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, was approved by the Trustees in July 2017.

The prior year had exceeded the original plan expectations delivering an operational surplus of £374k against a target of break even and 2017/18 has continued that improvement delivering an operational surplus of £1,251k against a target of £700k in the revised plan.

The rolling 3 year plan is revised annually in light of actual performance, the latest plan being approved by Trustees in July 2018.

Total income in the period only grew by 1% on 2016/17 rather than the 5% growth targeted however the mix of work and a continuing focus on operational efficiencies helped the contribution margin delivered by our client projects improve significantly driving the uplift in surplus.

During the year 2017/18 NatCen generated total incoming resources of £33,361k up from £33,109k in 2016/17. Of this £33,357k (2016/17: £33,106k) was from charitable activities, with a further £5k (2016/17: £3k) from investment income. Research carried out for UK Central Government continues to be the main source of income totalling 72% of total income in 2017/18 (69% in 2016/17).

Total expenditure during the year was £32,111k (2016/17: £32,735k) all of which related to research studies. No restructuring costs relating to the business plan were incurred in 2017/18 (2016/17: £253k).

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 properties and concluded no impairment or re-valuation as at June 2018 was necessary.

The charity benefitted from an actuarial gain on its defined benefit pension scheme of £3,374k in the year (2016/17: £685k actuarial gain) which is also included in the statement of financial activities on page 35. 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 2017/18 was an increase of £4,625k (2016/17: increase of £1,060k).

Balance Sheet and Reserves

Net assets before the pension scheme liability increased to £10,334k at June 2018 from £8,320k at June 2017. The pension liability decreased in the year to £21,174k (2017: £23,785k). NatCen's net liabilities, including the pension scheme liability decreased to £10,840k (2017: £15,465k)

Going Concern

The 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)
2018:	(21,174)

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 valuations however we have seen some stabilisation of the market and some growth in scheme assets as the 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 2018 were negative £10.8m (2017 - £15.4m). £583 relates to restricted funds as at 30 June 2018. All other 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 £6.0m including the revaluation reserve of £3.0m), before the FRS102 pension liability.

The Trustees have determined that the pension liability should not be included as part of free reserves as the relationship with the pension trust is good and they are supportive of the business model making it highly unlikely that there will be a demand for this liability to be repaid outside of the agreed deficit reduction plan. Free reserves are therefore only considered at an operational level.

The Trustees consider it desirable to hold free reserves based on operating cash flow for fixed overhead. This policy was adopted in 2017 to reflect the fundamental costs of sustaining the business without the variable costs related directly to projects.

The Trustees consider that free reserves equating to two months operating cash flow for fixed overhead (£2.8million) 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 £10.8m there is one fund materially in deficit, the Pension Reserve, which has a deficit of £21.2m. 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 under-funded. The scheme was closed to future accrual 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 2018, we held positive free reserves of £2.6m which constitutes 1.9 months operating cash flow (2017 – positive £0.6m, 0.5 months). The free reserves at 30 June 2018 are still below the initial target and we plan to rebuild reserves in coming years. Based on our revised business plan for 2019-2021 we aim to exceed 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 Director of Finance and Business Services 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 3 year plan approved in 2017 and its annual rolling revisions 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.

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 March 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

As part of the fundamental revision of the business plan approved in 2017 the plans for future periods were to focus on two key areas:

- Income growth. This key area will always remain but is currently 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 key area principally covers working practices and efficiency improvements 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 remains a constant a part of the organisation's working practices and is not a unique key focus area.

The revised plan and annual revisions form the communicated targets throughout the organisation and the metrics by which organisational performance is measured.

Our aim is to 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 "Towards 2025" which has been publically communicated to reposition NatCen for the future to ensure relevance and the platform to continue to grow and deliver its charitable aims.

Trustees' statement of responsibilities

5.

5. Trustees' statement of responsibilities

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 the 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, which also contains a directors report as required by company law and 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.

15 November 2018



Independent Auditor's report

6.

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 2018 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 2018 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 other information comprises the information included in the Annual Report other than the financial statements and our auditor's report thereon. The Trustees are responsible for the other information. Our opinion on the financial statements does not cover the other information and,

except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the directors' report and the strategic report, prepared for the purposes of company law and included within the Trustees' Annual Report, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors report and the strategic report, included within the Trustees' Annual 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 directors report and the strategic report, included within the Trustees' Annual 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:

- adequate and proper accounting records have not been kept, 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.

Use of our 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 23/11/18

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

Financial statements

7.

7. Financial statements

Statement of financial activities including the summary income and expenditure account for the year ended 30 June 2018

	Notes	2018 Restricted Funds £	2018 Unrestricted Funds £	2018 Total Funds £	2017 £
Income					
<i>Income from charitable activities:</i>					
Income from research studies	2	7,481	33,349,250	33,356,731	33,105,736
<i>Investment income:</i>					
Interest receivable		-	4,751	4,751	2,976
Total income		7,481	33,354,001	33,361,482	33,108,712
Expenditure					
<i>Expenditure on charitable activities</i>					
Research studies	3	6,898	32,103,925	32,110,823	32,734,532
Total expenditure		6,898	32,103,925	32,110,823	32,734,532
Net income for the year		583	1,250,076	1,250,659	374,180
Other recognised gains and losses					
<i>Remeasurement of defined benefit pension scheme liability</i>	14	-	3,374,359	3,374,359	685,681
Net movement in funds		583	4,624,435	4,625,018	1,059,861
Reconciliation of funds					
Fund balances brought forward	10	-	(15,465,124)	(15,465,124)	(16,524,985)
Fund balances carried forward	10	583	(10,840,689)	(10,840,106)	(15,465,124)

All amounts relate to continuing activities.

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

Restricted funds in 2018 relates to Forces in Mind Trust Grant which runs for 9 months from May 2018.

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

Balance Sheet as at 30 June 2018

Company number: 04392418

	Notes	2018 £	2018 £	2017 £	2017 £
Fixed assets					
Tangible fixed assets	6		7,705,473		7,723,698
Current assets					
Stocks	7	649,701		633,177	
Debtors	8	7,419,527		6,831,485	
Cash at bank and in hand		<u>5,561,846</u>		<u>2,463,743</u>	
		13,631,074		9,928,405	
Liabilities					
Creditors: amounts falling due within one year	9	<u>(10,508,058)</u>		<u>(8,913,043)</u>	
Net current assets			<u>3,123,016</u>		<u>1,015,362</u>
Total assets less current liabilities			10,828,489		8,739,060
Creditors: amounts falling due after more than one year	9		(82,301)		(118,880)
Provisions	9		<u>(412,000)</u>		<u>(300,000)</u>
Net assets excluding pension scheme liability			10,334,188		8,320,180
Defined benefit pension scheme liability	14		<u>(21,174,294)</u>		<u>(23,785,304)</u>
Net liabilities including pension scheme liability			<u>(10,840,106)</u>		<u>(15,465,124)</u>
The funds of the charity					
Unrestricted funds					
General fund	10	4,353,605		2,340,180	
Restricted Funds					
Forces in Mind Trust Grant	10	583		-	
Unrestricted designated funds					
Property fund (including revaluation reserve £2,965,539)	10	<u>5,980,000</u>		<u>5,980,000</u>	
			10,334,188		8,320,180
Pension reserve	10		<u>(21,174,294)</u>		<u>(23,785,304)</u>
Total funds			<u>(10,840,106)</u>		<u>(15,465,124)</u>

The notes on pages 39 to 58 form part of these financial statements.

The financial statements on pages 35 to 58 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: 15. xi. 18 

Statement of Cash Flows for the Year Ended 30 June 2018

	Notes	2018 £	2018 £	2017 £	2017 £
Cash provided by operating activities	15		3,926,045		1,246,501
Cash flows from investing activities					
Bank interest received		4,751		2,976	
Proceeds from sale of tangible fixed assets		27,225		-	
Cost of purchasing tangible fixed assets		(823,339)		(135,947)	
Net cash used in investing activities			(791,363)		(132,971)
Cash flows from financing activities					
Repayments of finance lease commitments		(36,579)		(27,434)	
Net cash used in financing activities			(36,579)		(27,434)
Increase in cash and cash equivalents in the year			3,098,103		1,086,096
Cash and cash equivalents at the beginning of the year			2,463,743		1,377,647
Cash and cash equivalents at the end of the year			5,561,846		2,463,743

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 estimates

Key judgements and estimates that NatCen have made include:

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 2018. 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.

Freehold land and property have a full valuation every five years by a qualified external surveyor. Interim valuations are only carried out in the intervening years where it is judged and agreed by the Trustees that it is likely that there has been a material change in value. This is a change in policy from the previous year as the trustees considered the former policy, which required an interim valuation in the third year of each five year cycle no longer valid and approved moving to a policy in line with FRS 102 guidance.

In order to conclude whether it is appropriate to treat NatCen as a going concern when preparing these financial statements, the Trustees apply judgement, having considered the current and future

business activities as well as NatCen's key risks. In arriving at this judgement there are assumptions and estimates involved in calculating future cash flow projections. This includes expectations of revenue, estimates and cost of future funding and pension deficit repayments.

The recognition of project income is based on the percentage of completion method which is the actual total costs incurred to date as a proportion of the total budgeted costs.

The Trustees do not consider that there are any sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period.

Going concern

As stated in the Financial Review, Trustees regularly review the charity's financial position to ensure that it remains a going concern.

NatCen's current business plan has demonstrated that measures put in place in the past financial year will continue to result in operating surpluses going forward to strengthen NatCen's financial position.

The Trustees believe that the pension deficit shown on the balance sheet will not crystallise in the short term but it is expected to be funded as necessary over the service lives of the related employees, through annual contributions which will restart in April 2019 following our 30 month contribution holiday. The current cash and future cash balances allow this position to be maintained and will be adequate for NatCen to meet its liabilities as they fall due.

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. (2018 and 2017: £5,980,000).

- b) **Restricted Funds** are funds which are grants to be used in accordance with specific restrictions imposed by the client. The nature and purpose of the restricted funds are set out in note 10 of the financial statements.

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 less 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 or useful life if less than 5 years
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 over 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.

Provisions are measured at the best estimate of the amounts required to settle the obligation.

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.

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.

	2018	2017
	£	£
Research income arose from the following sources:		
Policy Research	5,175,306	4,207,276
Survey Research	28,162,701	28,890,702
Other	18,724	7,758
Total income from research studies	33,356,731	33,105,736

A foreign exchange loss of £1,297 has been recognised in 2018 (2017: loss of £16,743).

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.

3. Analysis of expenditure on charitable activities

	Policy Research £	Survey Research £	2018 £	2017 £
<i>Charitable activities</i>				
Direct project costs	2,064,439	13,074,707	15,139,146	15,680,890
Indirect project costs	733,985	6,167,531	6,901,516	6,550,593
Direct research costs	1,083,931	980,140	2,064,071	1,904,709
Property costs	397,251	454,735	851,986	1,128,872
IT costs	111,493	606,717	718,210	737,580
Non-payroll staff costs	107,380	536,635	644,015	607,462
Depreciation	105,903	576,297	682,200	786,610
Irrecoverable VAT	9,776	53,198	62,974	125,812
Restructuring costs	-	-	-	252,855
Service costs	116,959	1,379,449	1,496,408	1,333,180
Support costs	551,138	2,999,159	3,550,297	3,625,969
	<hr/>	<hr/>	<hr/>	<hr/>
Total non-exceptional resources expended	<u>5,282,255</u>	<u>26,828,568</u>	<u>32,110,823</u>	<u>32,734,532</u>

Restructuring costs include termination payments of £27,989 in 2017.

Support costs

	2018 £	2017 £
Management	257,703	252,918
Marketing & Comms	391,614	382,247
Human Resources	187,208	294,384
Finance	1,470,832	1,412,369
IT	874,338	865,204
Facilities	196,885	235,231
Governance	171,717	183,616
Total	3,550,297	3,625,969

Net expenditure is stated after charging:

	2018 £	2017 £
Fees payable to charity's auditors for audit of annual financial statements (net of VAT)	36,750	35,500
Fees payable to charity's auditors for tax advice (net of VAT)	2,650	-
Depreciation - owned assets	682,800	786,610
Loss on asset disposal	131,539	1,092
Operating lease rentals		
- land and buildings	590,235	560,330
- other	15,576	20,696
Stock expensed	893,883	1,204,161
Finance lease interest	3,314	2,485

4. Staff costs

	2018 £	2017 £
Wages & salaries		
Direct employees	9,057,684	8,967,623
Temporary, freelance and casual workers	5,538,247	6,064,425
Social security costs		
Direct employees	901,908	886,631
Temporary, freelance and casual workers	220,054	246,240
Pension costs		
Employer's contributions to defined contribution schemes	519,161	481,990
Operating costs of the defined benefit scheme	96,022	150,469
	16,333,076	16,797,378

The cost (in addition to the above) of temporary/interim staff employed through an agency or on a consultancy basis was £87,679 (2017: £423,180 which included one member of the interim leadership team at a cost of £4,500)

£36,610 of termination payments were paid in the year (2017: £27,989) which are included in wages and salaries above.

2018**2017**

The average monthly number of employees during the year was as follows:

Direct employees

Research	138	133
Data Collection	73	68
IT	16	16
Other support including CEO	40	41
	<u>267</u>	<u>258</u>

NatCen Social Research employed 250 full-time equivalent staff at 30 June 2018 (2017: 242).

Temporary, freelance and casual workers (average monthly)

Research and data collection	<u>852</u>	<u>916</u>
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The number of higher paid employees was as follows:

	2018	2017
Taxable emoluments band		
£60,001 - £70,000	7	5
£70,001 - £80,000	3	5
£80,001 - £90,000	1	-
£110,001 - £120,000	2	1
£140,001-£150,000	1	1
	<u>14</u>	<u>12</u>

The total employee benefits of the key management personnel (as detailed on page 12) of the charity were £168,587 (2017: £159,848).

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 £10,254 (2017: £10,070).

No Trustees received remuneration in the year (2017: £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 7 Trustees reimbursed this year amounted to £2,430 (2017: £1,607 - 3 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): There were no payments (2017: £24,614) 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 £264 (2017: £1,470) 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 2017	5,980,000	116,809	3,973,689	399,338	38,931	10,508,767
Additions	-	47,102	674,276	101,961	-	823,339
Disposals	-	(4,726)	(1,342,078)	-	-	(1,346,804)
Transfers	-	-	38,931	-	(38,931)	-
At 30 June 2018	5,980,000	159,185	3,344,818	501,299	-	9,985,302
Depreciation						
At 1 July 2017	-	57,109	2,434,647	293,313	-	2,785,069
Charge for the year	-	23,999	637,422	21,379	-	682,800
Disposals	-	-	(1,188,040)	-	-	(1,188,040)
At 30 June 2018	-	81,108	1,884,029	314,692	-	2,279,829
Net book value						
At 30 June 2018	<u>5,980,000</u>	<u>78,077</u>	<u>1,460,789</u>	<u>186,607</u>	<u>-</u>	<u>7,705,473</u>
At 30 June 2017	<u>5,980,000</u>	<u>59,700</u>	<u>1,539,042</u>	<u>106,025</u>	<u>38,931</u>	<u>7,723,698</u>

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 £129,976 (2017: £158,507)

7. Stocks and work in progress

	2018 £	2017 £
Stocks	649,701	633,177

8. Debtors

	2018 £	2017 £
Trade debtors	4,190,927	4,962,878
Project accrued income	2,865,768	1,329,470
Other debtors	27,508	21,663
Prepayments	335,324	517,474
	<u>7,419,527</u>	<u>6,831,485</u>

9. Creditors: amounts falling due within one year

	2018 £	2017 £
Trade creditors	1,525,622	965,894
Project deferred income *	4,353,128	3,896,414
Tax and social security	1,041,986	1,053,459
Accruals	3,458,961	2,884,013
Finance lease liability	36,579	36,579
Other liabilities	91,782	76,684
	<u>10,508,058</u>	<u>8,913,043</u>

* 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.

* Project deferred income

	2018 £	2017 £
At 1 July	3,896,414	3,902,194
Deferred during the year	4,353,128	3,896,414
Released to the Statement of Financial Activities in the year	<u>(3,896,414)</u>	<u>(3,902,194)</u>
At 30 June	<u>4,353,128</u>	<u>3,896,414</u>

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

	2018 £	2017 £
Finance lease liability	82,301	118,880
	<u>82,301</u>	<u>118,880</u>

Provisions: amounts falling due after more than one year

	1 July 2017 £	Charged to the statement of financial activities £	30 June 2018 £
Dilapidation provision	300,000	-	300,000
Client rebate provision	-	112,000	112,000
	<u>300,000</u>	<u>112,000</u>	<u>412,000</u>

The dilapidation 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. The client rebate provision of £112,000 relates to potential contractual client rebates in relation to shortfalls in interview targets.

Finance lease liability

Total minimum payments payable under finance leases due within:

	2018 £	2017 £
1 year	36,579	36,579
2 - 5 years	<u>82,301</u>	<u>118,880</u>
Total	<u>118,880</u>	<u>155,459</u>

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 2018

	Balance at 1 July 2017	Income	Expenditure	Gains and revaluations	Balance at 30 June 2018
<i>Unrestricted funds</i>	£	£	£	£	£
General fund	2,340,180	33,354,001	(31,340,576)	-	4,353,605
Designated fund- property:					
at cost	3,014,461	-	-	-	3,014,461
revaluation	2,965,539	-	-	-	2,965,539
	<u>5,980,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,980,000</u>
Pension reserve	(23,785,304)	-	(763,349)	3,374,359	(21,174,294)
Total Unrestricted	<u>(15,465,124)</u>	<u>33,354,001</u>	<u>(32,103,925)</u>	<u>3,374,359</u>	<u>(10,840,689)</u>
Restricted Funds					
Forces in Mind Trust Grant	-	7,481	(6,898)	-	583
Total Restricted	<u>-</u>	<u>7,481</u>	<u>(6,898)</u>	<u>-</u>	<u>583</u>
Total Funds	<u>(15,465,124)</u>	<u>33,361,482</u>	<u>(32,110,823)</u>	<u>3,374,359</u>	<u>(10,840,106)</u>

The Forces in Mind Trust grant is for a research project on the mental health needs of serving & ex-serving personnel.

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
	<u>5,980,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,980,000</u>
Pension reserve	(23,910,016)	-	(560,969)	685,681	(23,785,304)
Total	<u>(16,524,985)</u>	<u>33,108,712</u>	<u>(32,734,532)</u>	<u>685,681</u>	<u>(15,465,124)</u>

11. Analysis of net assets between funds

For the year ended 30 June 2018

	Fixed assets	Net current assets less creditors due after one year and provisions	Defined benefit pension scheme liability	Total
	£	£	£	£
General unrestricted fund	1,725,473	2,628,132	-	4,353,605
Forces in Mind Trust restricted fund	-	583	-	583
Property fund	5,980,000	-	-	5,980,000
Pension reserve	-	-	(21,174,294)	(21,174,294)
	<u>7,705,473</u>	<u>2,628,715</u>	<u>(21,174,294)</u>	<u>(10,840,106)</u>

For the year ended 30 June 2017

	Fixed assets	Net current assets less creditors due after one year and provisions	Defined benefit pension scheme liability	Total
	£	£	£	£
Unrestricted funds				
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)
	<u>7,723,698</u>	<u>596,482</u>	<u>(23,785,304)</u>	<u>(15,465,124)</u>

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:

	2018 £	2017 £
1 year	667,820	667,820
2 - 5 years	2,382,766	2,433,125
Over 5 years	-	553,953
Total	3,050,586	3,654,898

Total minimum payments payable for other operating leases due within:

	2018 £	2017 £
1 year	14,613	14,613
2 - 5 years	14,612	29,225
Total	29,225	43,838

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 157 members at 30 June 2018 (2017: 147) The contributions payable by NatCen charged to profit or loss totalled £419,599 (2017: £402,267) of which £36,213 are included in creditors at the year end (2017: £34,502)

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 87 members of staff contributing to the Scottish Widows auto-enrolment scheme at 30 June 2018 (2017: 85) and NatCen's contribution to the scheme in 2018 was £99,563 (2017: £79,723) of which £13,965 are included in creditors at the year end (2017: £6,874)

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 and at that time incurred one off curtailment costs in 2016 of £3,281,625 to 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 31 March 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 2018.

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

	2018	2017
	£	£
Fair value of scheme assets	59,765,776	59,528,858
Present value of scheme liabilities	(80,940,070)	(83,314,162)
Deficit in scheme recognised as a liability	(21,174,294)	(23,785,304)

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 credit 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 NatGen 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

	2018	2017
	£	£
Defined benefit obligation at 1 July	83,314,162	79,403,594
Current service cost	-	64,074
Expenses	96,022	86,395
Interest cost	2,306,392	2,360,681
Actuarial (gain)/losses	(2,786,571)	2,984,995
Benefits paid, death in service premiums & expenses	(1,989,935)	(1,585,577)
Defined benefit obligation at 30 June	80,940,070	83,314,162

Changes in the fair value of the plan assets

	2018	2017
	£	£
Plan assets at 1 July	59,528,858	55,493,578
Interest income	1,639,065	1,645,681
Return on plan assets less interest income	587,788	3,670,676
Contributions by NatGen Social Research	-	304,500
Benefits paid, death in service premiums & expenses	(1,989,935)	(1,585,577)
Plan assets at 30 June	59,765,776	59,528,858

The actual return on the scheme assets in the year ending 30 June 2018 was £2,226,853.

Total expense recognised in the Statement of Financial Activities

	30 June 2018	30 June 2017
	£	£
Current service cost	-	64,074
Expenses	96,022	86,395
Net interest cost	667,327	715,000
Total expense recognised in the Statement of Financial Activities	763,349	865,469

Statement of other recognised gains and losses

	30 June 2018	30 June 2017
	£	£
Return on plan assets less interest income	587,788	3,670,676
Actuarial gains/(losses)	2,786,571	(2,984,995)
Total amount recognised in other recognised gains and losses – gain	3,374,359	685,681

Assets

	30 June 2018	30 June 2017
	£	£
Equity	48,456,190	35,440,843
Corporate Bonds	2,694,557	8,003,751
Cash	10,384	9,312
Property	-	2,810,492
Government Bonds	-	13,264,460
Liability Driven Investments	8,604,645	-
Total assets	59,765,776	59,528,858

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

	2018 % per annum	2017 % per annum
Rate of discount	2.95	2.80
Inflation (RPI)	3.30	3.30
Inflation (CPI)	2.20	2.20
Salary increases	n/a	n/a
Allowance for revaluation of deferred pensions of CPI or 5% p.a. if less	2.20	2.20
Allowance for revaluation of deferred pensions of RPI or 5% p.a. if less	3.30	3.30
Allowance for pension in payment increases of CPI or 3% p.a. if less	2.00	2.00
Allowance for pension in payment increases of RPI or 5% p.a. if less, minimum 3% p.a.	3.70	3.70
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 2018 imply the following life expectancies:

	Life expectancy at age 60 (Years)
Male retiring in 2018	26.8
Female retiring in 2018	28.8
Male retiring in 2038	28.7
Female retiring in 2038	30.8

The best estimate of contributions to be paid by NatCen to the scheme for the year commencing 1 July 2018 is £304,500.

15. Reconciliation of net income to net cash flow from operating activities

	2018 £	2017 £
<i>Net income for the year (as per the statement of financial activities)</i>	1,250,659	374,180
Loss on disposal of fixed assets	131,539	1,092
Interest received	(4,751)	(2,976)
Depreciation charges	682,800	786,610
(Increase) in stocks	(16,524)	(272,682)
(Increase) in debtors	(588,042)	(448,948)
Increase in creditors	1,707,015	248,256
Pension cost less contributions payable (Note 14)	<u>763,349</u>	<u>560,969</u>
Net cash provided by operating activities	<u>3,926,045</u>	<u>1,246,501</u>

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