

# **NatCen**

**Social Research** that works for society

# **Annual Report and Accounts**

**Year Ended 30 June 2020**

**NATIONAL CENTRE FOR SOCIAL RESEARCH**

**Company Registration Number: 04392418**

**Charity Registration Number: 1091768**

**Scotland Charity Registration Number: SC038454**

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

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## Legal and administrative details

<b>Registered name:</b>	National Centre for Social Research
<b>Trading name:</b>	NatCen Social Research
<b>Legal status:</b>	Company limited by guarantee and registered charity
<b>Company registration number:</b>	04392418
<b>Charity registration number:</b>	1091768
<b>Scottish charity registration number:</b>	SCO38454
<b>Registered office:</b>	35 Northampton Square London EC1V 0AX
<b>Trustees:</b>	Professor Sir Robert Burgess (Chair of Trustee Board) Alan Botterill (resigned 20 February 2020) Barbara Noble James Thickett (Deputy Chair of Trustee Board) Dame Jil Matheson Stephen West Peter Havelock Walter Cormack (resigned 26 May 2020) Jude England Professor Sue Heath Phyllis Macfarlane (appointed 1 November 2019) Mark Duke (appointed 1 November 2019) Desirée Lopez (appointed 1 December 2019)
<b>Statutory Auditor:</b>	RSM UK Audit LLP 25 Farringdon Street London EC4A 4AB
<b>Solicitor:</b>	Bates Wells 10 Queen Street Place London EC4R 1BE
<b>Banker:</b>	National Westminster Bank Plc Cavell House 2A Charing Cross Road London WC2H 0NN

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# Introduction by Chair of Trustee Board

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# 1. Introduction by Chair of the Trustee Board

As Chair of the Trustees, it is my pleasure to deliver the 2019/20 annual report, along with audited financial statements for the year to 30 June 2020.

This will be my last annual report as the Chair of Trustees as, at February 2021, I will have served NatCen for the full term allowed. It also comes at a remarkable moment as we end the year in the midst of the global COVID-19 pandemic with great uncertainty for both the economy and for individuals in the United Kingdom and more widely.

The past year is best split into two parts. During the period to end February 2020, prior to the pandemic, we were moving forward in line with or ahead of expectations and according to our budget and business plan.

In January 2020, we held the final event of our 50th anniversary celebrations “Progress and Popularity: Facing the Disillusioned in a New Decade” at the Institute for Government. The event presented social trends in the United Kingdom from the cradle to the grave (link to: <https://www.natcen.ac.uk/media/1847579/NatCen-Social-Trends-Report.pdf>).

In February and March, the new coronavirus, COVID-19, established itself in the UK. The second part of the year was defined by the pandemic. By mid-March, all face-to-face interviewing on our national surveys was “paused”, our staff went home to work and their children followed them shortly afterwards as schools closed. This was a difficult time for the United Kingdom and for NatCen which was facing losing up to 70% of its revenue due to understandable restrictions in contacting the public as government looked to reduce the peak and flatten the COVID-19 infection curve to lessen the pressure on the National Health Service.

It is indicative of the change that I have witnessed at NatCen since I became Chair of Trustees in 2012 that the organisation has not only responded well in adversity, and to the challenges posed by the pandemic, but has also seized the opportunities for social research to have real impact during this period.

We joined the national effort to understand the coronavirus better through the COVID-19 infection study (the survey that is being used as part of the evidence base for policy making and for calculating the “R” infection rate). NatCen helped evaluate the pilot on the Isle of Wight of a tracing app and has been commissioned to explore the impacts of the pandemic on older people as well as the education and mental health impacts for the public more widely. You can read about our work here: <https://natcen.ac.uk/about-us/responding-to-COVID-19/>. NatCen staff also moved quickly to offer customers new choices - different modes of data collection, online qualitative and deliberative research as well as online training courses.

Our financial figures for the year reflect that initiative. We are registering our fourth successive annual surplus, a remarkable achievement for NatCen’s leadership and staff in these highly unusual times. The budget and forward business also remain encouraging and we continue to be ambitious as an organisation. While NatCen’s pension deficit has continued to grow, as in many organisations, we retain a good relationship with our Pension Scheme Trustees and an agreed forward plan exists over several years to address this legacy.

Our role as Trustees is to provide stewardship of the organisation. We will continue to oversee ongoing changes to improve, modernise and streamline our organisation, so we offer the best possible value to customers, and as a Board we are confident that NatCen is in a strong position to continue to deliver the high quality and impactful research that society needs.

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Finally, I would like to thank all the Trustees who have served NatCen during my period as Chair. Their advice, encouragement and support that is freely given adds to the richness of NatCen. I would also like to thank the staff who have contributed to NatCen's success across the years. It has been a pleasure to work with them, the Leadership Team and with Guy Goodwin as Chief Executive who has steered NatCen very successfully.

I hand over the Chair's role to my successor with a sense of great pride in NatCen. My successor will find a renewed organisation with considerable confidence in its future. I wish them and NatCen very well indeed.

Professor Sir Robert Burgess  
Chair, Board of Trustees

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# Structure, governance and management

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## 2. Structure, governance and management

### Our legal structure

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 our 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’.

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## Board of Trustees

NatCen is governed by its Board of Trustees who are also its Directors. During 2019/20 the Board comprised the following members:

- Professor Sir Robert Burgess: Chair of the Board of Trustees and Chair of the Nominations, Remuneration and Fundraising Committees. Sir Robert has chaired the Board of Trustees for 10 years and will be retiring in February 2021.
- Alan Botterill: Resigned 20 February 2020, formerly Chair of the Finance and General Purposes Committee, Member of the Remuneration Committee and Pension Scheme Trustee
- Barbara Noble: Member of the Nominations Committee and Finance and General Purposes Committee.
- James Thickett: Deputy Chair of the Board of Trustees, Chair of the Finance and General Purposes Committee from 20 February 2020
- Dame Jil Matheson: Member of the Fundraising committee
- Stephen West: Chair of the Audit and Risk Committee and member of the Nominations and Remuneration Committees
- Peter Havelock: Member of the Audit and Risk and Fundraising Committees
- Walter Cormack: Resigned 26 May 2020 formerly Member of the Audit and Risk Committee
- Jude England: Member of the Audit and Risk and Remuneration Committees
- Professor Sue Heath: Member of the Finance and General Purposes Committee
- Phyllis Macfarlane: Appointed 1 November 2019 Member of the Audit and Risk Committee
- Mark Duke: Appointed 1 November 2019 Member of the Finance and General Purposes Committee and Pension Scheme Trustee
- Desirée Lopez: Appointed 1 December 2019

Biographies of all current Trustees are available at [www.natcen.ac.uk/about-us/people/Trustee](http://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. Trustees are appointed for three-year terms and may serve a maximum of three such terms.

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.

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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 wellbeing of NatCen. It was chaired by Alan Botterill until 20 February 2020 and has been chaired by James Thickett since 20 February 2020.
- **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 fundraising currently undertaken by NatCen is limited to collecting donations from the public and selected corporate sponsors and we use the Wonderful 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. We do not work with any commercial fundraisers but all donations are regularly monitored using the reporting supplied by Wonderful. Currently we do not undertake any direct personal marketing to raise funds nor contact individuals directly. A complaints policy is in development to be ratified by our Trustees, we have received no complaints to date. Our practices are compliant with recognised standards for fundraising.

In addition to the above committees there is also an Investment Committee, which is a sub-committee of the Audit and Risk Committee. This new committee was approved by the Trustees in July 2019 and was intended to sit twice a year to develop and maintain an investment strategy for the Charities cash assets to maximise return within a risk framework approved by all Trustees. The committee is chaired by the chair of the Audit and Risk Committee and comprises one other Trustee and two members of the leadership team, one of which is the Director of Finance and Chief Commercial Officer. The committee has sat once but is currently suspended due to the COVID-19 pandemic and the need to ensure cash assets are readily available at all times until the pandemic is over.

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.

During the year the Trustees and Leadership team met on two occasions to specifically discuss plans to align NatCen to the Charity Governance Code during the 2020/21 financial year. As part of these

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meetings the Trustees matched NatCen's current systems and processes to the seven core principles of the code. The result of this mapping was that 61 of the 76 items on the checklist for the seven principles have been complied with or are not applicable to NatCen of which 10 of these items have room for improvement leaving 15 items requiring implementation. The planning and implementation to align NatCen to the codes has been interrupted by the COVID-19 pandemic but Trustees still expect to achieve alignment in 2020/21.

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. Terms of reference exist for all committees and are reviewed by the Trustee board periodically.

## Consideration of Directors' responsibilities

Section 172 of the Companies Act 2006 requires the Board of Trustees as Company Directors to act in the way they consider, in good faith, would be most likely to promote the success of NatCen to achieve its charitable purposes. The Trustees consider:

### **The likely consequences of any decision in the long term**

The Trustees routinely review and sign off NatCen's strategy and rolling three-year business plans to ensure they understand and agree with the expected long-term outcomes from all strategic decisions. They delegate daily operational decisions to the Leadership Team but are required to approve all decisions which have contractual values over certain limits that could materially affect NatCen's financial performance in any given year. Trustees review performance annually, including the organisation's impact and finances. They formally review corporate risks each year and individual risks more frequently, as necessary.

### **The interest of NatCen's employees**

The Trustees routinely review the organisation's people plans, including for training and development, as well as scrutinising staffing levels, turnover and the affordability of pay awards. The Trustees are updated on the bi-annual staff surveys and the action plans developed by the Leadership Team that arise from the survey. Recently this has also included a separate staff survey on the impacts of COVID-19 and the change to most staff working from home as well as the needs and issues with a return to office working during 2020 and into 2021. If release or redundancy schemes are necessary, they are referred to the Audit and Risk Committee.

### **The need to foster NatCen's business relationships with suppliers, customers and others**

The organisation maintains and fosters a diverse network of customers and suppliers, which is documented and subject to routine checks and internal audit. We have a published "customer promise" and the Trustees are updated annually on NatCen's customer feedback survey, as well as being engaged in discussions about strategic partnerships, particularly with academic institutions both as suppliers and customers. Trustees regularly attend events hosted by NatCen disseminating research conclusions to relevant parties as well as engaging internally with staff on new research methods and findings.

### **The impact of NatCen's operations on the community and the environment**

NatCen has a duty to observe the highest standards when dealing with the community it serves, including the general public who provide the data that drives our research, and as a consequence project work is subject to review by a research ethics committee. The research projects that NatCen undertakes are routinely reviewed by the Trustees to ensure they meet the purposes of our charitable objectives. The Trustees are also mindful of the organisation's place in the local community, whether in its close relationship with City, University of London, or in holding meetings and awaydays locally, for example at a local Community Centre.

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The environmental impact of NatCen is limited. We have an environmental policy and have established a staff environment committee regularly reviewing how we can improve energy usage and other environmental impacts. In recent years we have introduced LED lighting across a number of our office spaces, reduced paper and single use plastic consumption by over 50% and have a commitment to reducing vehicle journeys across our organisation through smarter technology and planning of travel. We are also in the process of obtaining ISO 14001 accreditation. Trustees have discussed and inputted into these plans.

### **The desirability of NatCen maintaining a reputation for high standards of business conduct**

The nature and high quality of NatCen's work, delivering a number of UK National Statistics along with key research for long term planning and policy making of both Government and the charity sector, make maintenance of high standards both in the work we do and our overall conduct of key importance. We give great weight to information security, including annual staff training; maintain and refresh policies including for our quality system (Q-Pulse); and are annually audited to maintain accreditation to ISO-20252. Routine reports on such matters are made to Trustees and discussed at Audit and Risk Committee, as necessary. The value to decision making and improving knowledge of our society is fundamental to NatCen's objectives and to our customers and supply chain.

### **The need to act fairly**

We aim to be a fully inclusive organisation which is relevant and accessible for anyone working for NatCen or benefitting from our work. NatCen is an equal opportunities employer and values diversity, for example in welcoming applications to recruitment exercises from all sections of the community. We maintain an active Equality and Diversity Group and LGBT+ network. The organisation is signed up to the Market Research Society's CEO pledge, the Race at Work Charter and is committed to key recommended actions from Stonewall's LGBT in Britain: Work report. We have improved the communication and transparency in this area in recent years, both with staff and more widely, for example in holding and making staff survey results available and in publishing gender pay gap statistics. Trustees are presented routinely with such information, providing appropriate challenge as necessary.

## **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 Chief Commercial Officer	Robert Swinchatt
Director of Surveys, Data and Analysis	Gillian Prior
Director of Methods	Gerry Nicolaas
Director of Operations	Paul Roberts

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**

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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 274 full-time equivalent staff for the year ended 30 June 2020 (2019: 258). 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. ScotCen is not a separate organisation but delivers the same survey and policy research and survey research for Scotland using NatCen's central organisational resources and systems. It has a local management team reporting to the Leadership team.

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, CEO updates 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.

## Environmental impact

NatCen's key environmental impacts are:

1. the electricity consumed at its three offices
2. the gas consumed at its London office
3. the miles driven by its staff and fieldworkers

The amount of energy consumed for each of NatCen's three offices and based on bills for the year ended 30 June 2020 was as follows:

	Gas (kWh)	Electricity (kWh)
London	116,255	81,592
Brentwood	-	81,940
Edinburgh	-	18,000*
Sub-totals	116,255	181,532
Grand total	297,787	

\* The usage in our Edinburgh office is based on actual usage to January 2020 and then estimates based on prior year usage as no meter readings were taken after January due to Covid-19.

The miles driven by NatCen's staff and fieldworkers were:

Staff	17,824
Fieldworkers	2,534,605
Grand total	2,552,429

### Associated greenhouse gases

Based on the conversion factors per <https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2020>, we estimate that the total amount of CO2 NatCen created in 2019/20 was 762,182kg (750 tons).

### Intensity ratio

The intensity ratio we are using is the number of tons of CO2 emitted per full-time equivalent (FTE) member of staff as counted on the mid-point of the reporting period as this measure is less likely to vary due to factors other than genuine changes in NatCen's level of emissions.

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NatCen employed 274 FTE staff for the year ended 30 June 2020. This gives us an intensity ratio of 2.74 tons of CO<sub>2</sub> per FTE. This is the first year in which NatCen has reported its emissions so comparative figures are not available for previous year.

### **Impact reduction measures**

Our impact reduction measures were disrupted during the reporting period because of the need for the organisation to focus on responding to the disruption caused by the Coronavirus pandemic but nevertheless we:

- Created an internal staff-led Environmental Group
- Nominated a senior manager to lead NatCen's work to minimise its environmental impact
- Gained the commitment of NatCen's Leadership Team and Trustees to achieve ISO 14001 accreditation by the end of 2020 (we have since signed up with QMS UK to support us in this work)
- Decided that NatCen will be carbon neutral by the end of 2020 (albeit primarily by off-setting for the short- to medium-term)

## **Auditor**

Following a tender process, 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.



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# Activities and public benefit

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## 3. Activities and public benefit

### How we delivered public benefit in 2019/20

#### 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. Activities undertaken to communicate our findings include identifying and making use of opportunities to present at conferences, to relevant and specific policy makers, practitioners and interest groups
- **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 social research. We are commissioned by many customers, including Government, to collect data that makes it both possible to track the effectiveness of policies, to see where interventions are needed in areas like health and education and to evaluate the success of those interventions. In this way, our research interacts directly with the policymaking process.

Our Survey Research Centre conducts most of the UK and Scottish Governments' major social surveys. These studies provide robust and reliable data across a wide range of policy areas and include the English Housing Survey, the Health Survey for England, the National Travel Survey, the National Diet and Nutrition Survey, the Scottish Crime and Justice Survey and the Family Resources Survey.

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

As an organisation, we monitored our impact over 2019/20 and collected impact case studies, a selection of which appear below.

## **Impact case study - 1**

### **Responding to COVID-19**

**What we did:** We are one of the data collection partners helping deliver the pilot phase of the COVID-19 Infection Survey for the Department of Health and Social Care. The overall aim of this study is to understand how many people of different ages across the UK have COVID-19, including those where it is asymptotic. Our field interviewers have already helped to collect thousands of self-administered nose and throat swabs which have then been analysed by the Office for National Statistics (ONS). Around 10% of participants are also asked to provide a blood sample.

**What we found:** The data we have collected through this study has informed national estimates of the number of current positive cases, the number of new cases and their change over time, and differences in numbers of positive cases between regions. The results have been published by the ONS on a weekly basis.

**What happened next:** The findings from the study are helping to create a reliable picture of the scale and distribution of COVID-19 infection. For example, the results provide vital evidence for the Scientific Advisory Group for Emergencies (SAGE) to calculate estimates of the rate of transmission of the infection, often referred to as the “R” rate.

## **Impact case study - 2**

### **36th British Social Attitudes survey**

The British Social Attitudes (BSA) survey is NatCen’s flagship survey and provides the most comprehensive report into what the British public think about the big social and political issues of the day. It has been carried out since 1983 and is considered one of the most respected and authoritative surveys of public attitudes in the world.

**What we did:** BSA 36 consisted of 3,879 interviews with a representative, random probability sample of adults in Britain. Interviews were carried out between July and October 2018. The main BSA 36 report was released in July 2019, exploring attitudes towards religion, relationships and gender, science, Brexit, poverty and women and work.

**What we found:** BSA 36 revealed the number of people in Britain who do not believe in God has more than doubled in the past two decades. Alongside declining religious identity, the report highlighted the transformation of attitudes to sexuality, gender identity and the place of traditional marriage in recent decades. The survey also revealed the continuing relevance of political identity, with the emergence of Leave and Remain as new political and social fault lines commanding a significantly stronger allegiance than traditional political parties.

**What happened next:** Our reporting on the decline of religious identity and the liberalisation of views on sexuality and relationships attracted wide coverage across traditional and social media. Over 900 news articles and 192 broadcast mentions were generated on launch day alone, with our spokespeople appearing on Sky News, Sky Sunrise, STV, BBC Radio 4 Front Row, Channel 5 News, BBC Radio 5 Live, BBC Regional Radio, BBC General News Service and LBC.

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## Impact case study - 3

### Mental health and educational attainment at GCSE

**What we did:** Funded by the Economic and Social Research Council (ESRC), we undertook analysis of data on young people's mental health from two large longitudinal studies, Understanding Society and the Millennium Cohort Study. With permission from families, data was linked from these studies to people's exam results using the National Pupil Database to assess the relationship between mental health and GCSE results.

**What we found:** We found a clear and strong relationship between mental health earlier in secondary school and GCSE results at age 16. Our research revealed young people with poor mental health scores were 2.7 times more likely not to achieve the GCSE benchmark, even accounting for other background factors. A one-point increase in an 11 to 14 years old's Strength and Difficulties Questionnaire score, used to measure mental health, was found to associate with the dropping of one grade at GCSE at age 16.

**What happened next:** To explore our findings and the implications for schools and policymakers, we held a launch event in November bringing together around 80 high level stakeholders from government, third sector organisations, the NHS, schools and academia. Part of NatCen's 50th anniversary programme and the ESRC's Festival for Social Science, speakers at the event included Professor Prathiba Chitsabesan, NHS England Associate National Clinical Director for Children and Young People's Mental Health. Following this event, we presented our findings at a Westminster Education Forum policy conference, chaired by Baroness Massey of Darwen, Co-Chair of the All-Party Parliamentary Group for Young People's Health. In March 2020, we presented findings from the research directly to the Department for Education to inform their future policy making.

## Impact case study - 4

### Cycling and Walking Evidence Review

**What we did:** Commissioned by the Department for Transport (DfT), we gathered evidence on selected interventions designed to encourage greater levels of cycling and walking in England and Wales between 2004 and 2019. Our evidence review was commissioned to help assess progress towards the Government's Cycling and Walking Investment Strategy (CWIS), which holds an ambition to make 'cycling and walking the natural choices for short journeys or as part of a longer journey'.

**What we found:** Our review assessed the overall results of interventions, such as changes in cycling and walking levels or distances travelled using public transport or cars. It also assessed the direct products of interventions, such as the number of new cycle routes constructed, or the number of people participating in cycling training and walking events.

**What happened next:** Our review informed, and was published alongside, DfT's first ever report to Parliament on the progress of the CWIS, on 7th February 2020. In a foreword to the report, Chris Heaton-Harris MP recognised that 'substantial further investment is therefore required over the next five-year period' to reach the ambition to double levels of cycling by 2025. On 11th February, the Government announced £5bn of investment in cycling and buses over the next five years, £2bn of which has subsequently been allocated to a national cycling and walking plan.

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## Impact case study - 5

### Evaluating the Early Years Foundation Stage Profile

**What we did:** We were commissioned by the Department for Education (DfE) and the Education Endowment Fund (EEF) to assess how proposed reforms to the Early Learning Goals (ELGs), part of the Early Years Foundation Stage Profile (EYFSP), were implemented in 24 pilot schools in 2018/19. We conducted our evaluation with pilot schools through qualitative interviews, an online survey and a sub-study of cognitive interviews.

**What we found:** Our evaluation found teachers viewed the revised ELGs as clearer than previous ELGs and reported their workload had reduced. We found teachers wanted supporting materials to supplement the ELGs, such as exemplification and curriculum guidance. We also found there were mixed views about whether children would be better prepared for Key Stage 1 because of the changes, and about whether the new ELGs were more or less challenging than before.

**What happened next:** Our evaluation was published by the EEF in October 2019. In January 2020, we presented the findings at a webinar for the early years sector, organised by Foundation Years, and at a Westminster Education Forum policy conference. Findings from our evaluation directly informed a review of all 17 draft revised ELGs, as well as the Government's consultation and final response on the EYFS reforms, published in July 2020. This response cited our finding that teachers found the new ELGs reduced their workload, allowing them to focus on teaching. It also recognised the need to provide high quality exemplification materials to schools to aid understanding of the new ELGs, another key finding from our research.

## Impact case study - 6

### Mental health needs of the armed forces community

**What we did:** In 2018, Forces in Mind Trust (FiMT) commissioned us to conduct a systematic review of evidence on the mental health needs of serving and ex-Service personnel and their families, building on a previous 2013 review by the Mental Health Foundation. Our review brought together findings from 190 research studies as well as interviews with stakeholders from the Ministry of Defence, NHS England, military charities and academic institutions.

**What we found:** Our review generated wide-ranging insights into the prevalence and experience of mental health problems among serving and ex-Service personnel and their families, as well as the effectiveness of interventions designed to address their mental health needs. For instance, it revealed that combat and deployment are strong predictors for mental health problems, and that the mental health of service personnel and veterans is connected to their life experiences before joining the military. As part of the review, we published an evidence map providing a visual overview of evidence on the effectiveness of interventions to address military mental health needs.

**What happened next:** We were awarded the people's prize for our evidence map at the Veteran's Mental Health Conference 2020, one of the biggest gatherings of policymakers, practitioners and academics working on improving military mental health. Furthermore, all 190 studies included in our systematic review are now listed on the Veterans and Families Research hub to support future research. Our review informed, and was published alongside, FiMT's Policy Statement on Health on 6th May 2020. In response to the release, the Centre for Mental Health said that the review will 'inform the next generation of research' into military mental health. Evidence from our review has since been submitted by FiMT to the Health and Social Care Select Committee's call for evidence into 'delivering core NHS and care services during the pandemic and beyond'.

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## Tackling methodological challenges

At NatCen, we have a reputation for methodological leadership and expertise and our innovative approach to research has benefits to the wider 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.

This year, we have drawn on this expertise to respond to the unique challenges posed by the coronavirus pandemic. Our talented staff continue to focus on delivering the highest quality research to meet real world needs. We seek to innovate, using cutting edge methods and solutions to break new ground in social research. We also continue to need to focus both our methodology and operational capability on the key challenges of delivering good response rates and a seamless multimode capability.

We have successfully adapted many of our projects in response to the crisis. For example, we have built on insights from ESRC-funded methodological research to successfully deliver online-telephone research with older groups for the COVID-19 English Longitudinal Study of Ageing.

In addition, we are conducting telephone and/or online follow-ups of key national surveys including the Scottish Health Survey, the National Diet and Nutrition Survey, the English Housing Survey and the National Study of Health and Wellbeing: Children and Young People, all aimed at tracking the social impacts of the pandemic.

We have recently established the Centre for Deliberative Research. We conducted the UK's first online deliberative poll using videoconferencing and delivered online public engagement during the pandemic, extending further our national and international reputation for innovation and excellence in methods.

We are also now a partner institution in the new phase of the National Centre for Research Methods (NCRM), hosted at Southampton University. In this partnership, we'll play a key role in building research methods capacity in the UK in the coming years through our training courses provided by NatCen Learning.

## Measuring our impact

We use case studies in our annual report to demonstrate impact because they give descriptive detail around what impact looks like. We also routinely monitor feedback on:

- 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.

This impact monitoring is reported back to Trustees to review and comment on each year and allows us to critically assess how we as an organisation are improving people's lives.

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## Communicating and reflecting back to the public

In addition to communicating with policymakers, data users and practitioners, we are committed to reflecting back our findings to the public so they have the information they need to make informed decisions including offering a window on the performance of government itself.

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 programmes we want to better understand. They give us an extraordinary amount of information about their daily lives; for example, filling in our diaries with what they eat and what they are doing. They let us weigh them, measure their children and take their blood. We are committed, 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. This year, NatCen has been mentioned in 1,171 articles, with 202 mentions in national newspapers or on their websites. Our Twitter following has reached 19,000, with our tweets viewed 1.79 million times this year. The most popular tweet announced our BSA 36 launch in July 2019, with 69,880 tweet impressions. In joint second place was November's 'Mental Health and Educational Attainment in Adolescents' event and December's 'Parental Time Use and Wellbeing' event, with our coverage of each launch receiving 37,000 tweet impressions.

The NatCen website had 141,824 visits and 13,405 report downloads over the year. The website for the British Social Attitudes survey had 83,986 visits and 32,520 report downloads, which is more than double for all our other reports combined.

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## 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.

It has been another productive year for the Growing up in Scotland (GUS) study. In October 2019, we hosted 170 stakeholders from government, academia, the NHS and civil society for this year's GUS conference, where we presented our latest research into childhood obesity, language development and life at age 12. Maree Todd MSP, Minister for Children and Young People, delivered a closing address on the role of the GUS study for Scottish policy making. Publications from GUS this year include a briefing paper on the transition to primary school and findings from our international collaboration, Growing Up Healthy in Families Across the Globe, which provide a unique perspective into environments that are supportive in the early years of life. Together with colleagues in NatCen's Analysis team and an academic partner from University of Dundee, the GUS team are currently using data from the study to explore children's transitions from primary to secondary school to inform a report for Scottish Government.

Our interest and expertise in research with, and about, children and young people have been evident in other projects too. This year saw the publication by the Robertson Trust of our report on the evaluation of the MCR Pathways project, a secondary school-based mentoring programme for care experienced young people in Glasgow. Working with colleagues in NatCen's Evaluation team, researchers found strong, positive impacts of the programme on young people's attainment and post-school destinations. The report has been shared widely and MCR Pathways is now being rolled out in several areas across Scotland.

The team have also been promoting our wider research into public health and obesity this year, with appearances on regional radio to discuss the annual Scottish Health Survey and conference presentations on our qualitative scoping research for the second wave of the Youth Obesity Policy Survey. Our research, published in July 2019 by Cancer Research UK, found young people feel widely exposed to junk food marketing and are supportive of policy measures to protect them from its influence.

We have continued to be at the heart of debate on Scottish politics, with the launch of the What Scotland Thinks podcast with Sir John Curtice and our research leads appearing on national television to discuss the latest election polls this year.

ScotCen's research is also having continued and long-term impact on law and policymaking. The Scottish Law Commission has drawn on findings from this year's Scottish Social Attitudes (SSA) survey for their published review of cohabitation law in Scotland, noting that public belief in the myth of 'common law marriage' had fallen only slightly since our SSA research on the issue in 2000. The Commission's review may ultimately lead to reform of the Family Law (Scotland) Act 2006. Our research this year into the effect of gambling advertising and marketing on children, young people and vulnerable adults is set to inform recommendation reports on advertising regulations.

The Determining the Impact of Smoking Point-of-sale Legislation Among Youth (DISPLAY) evaluation, led by the University of Stirling, was published by NIHR in January 2020. In the same month, Andy MacGregor and other members of the DISPLAY collaboration gave presentations based on the study at the 'Looking Back Looking Forward' public health conference held in Pollock Halls in Edinburgh. Other notable publications this year include the annual report from the Scottish Crime and Justice Survey and our report on phase 1 of the Scottish Study of Early Learning and Childcare, a baseline



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assessment ahead of the expansion of government-funded early learning and childcare. The team have also co-authored several journal articles on public health topics such as standardised tobacco packaging and the implementation of a nutritional standard in NHS hospital shops.

A range of projects were also commissioned in the last year and are still in progress. These include: qualitative research to inform the evaluation of the Scottish Government's Best Start Grant - a key benefit in Scotland's newly reformed welfare system; a mixed method project in collaboration with the University of Stirling and utilising the NatCen panel to explore attitudes to a COVID-19 vaccination; an evaluation of the financial education programme 'Talk, Learn, Do' for the Money and Pensions Service; and the next wave of the Scottish Government's longstanding mixed method Behaviour in Scottish Schools study.

ScotCen has continued to host the Scottish Advisory Group on Evidence for Policy Making, a group of key influencers under the chair of the National Statistician, Sir Ian Diamond. During its existence, the group has explored and pushed boundaries on Scottish-specific research especially with funders - for example, through facilitating an event organised by the Nuffield Foundation. It had a successful meeting in August 2019 with wide-ranging discussion on topical issues in education, public health, the Scottish constitution and research funding. Specific items were tabled on public engagement in research and evidence, Scottish requirements for longitudinal data and developments in access to Scottish administrative data. The general election and COVID-19 disrupted the group's other planned meetings for the year and, following a review, the group has now been closed after running successfully for the last two years.

## **Impact case study – 7**

### **Scotland's Census**

**What we did:** ScotCen were commissioned by National Records Scotland (NRS) to conduct testing of guidance to accompany the question, 'what is your sex?' on Scotland's Census 2022. We tested two versions of the guidance with both a random sample of the general population and an opt-in sample of trans/non-binary adults. The first version of the guidance advised people to respond according to their self-identified sex, the other according to their legal sex. Our research aimed to understand how different forms of guidance affected people's responses to the sex question and the census as a whole.

**What we found:** We found that a very small proportion of participants needed or chose to access guidance in order to answer the question 'what is your sex?'. Among the general population, 91% of people found both forms of guidance equally acceptable. Among trans/non-binary participants, 69% said they would answer the sex question if self-identification sex guidance was used, while 23% said they would answer if legal sex guidance was used.

**What happened next:** Our findings fed into NRS' December 2019 Sex Question Recommendation Report. On 9th January 2020, this report and ScotCen's findings were referenced when NRS gave evidence on their sex question recommendation to Scotland's Culture, Tourism, Europe and External Affairs Committee. On 30th January, Fiona Hyslop, the Cabinet Secretary for Culture, Tourism and External Affairs in the Scottish Government, gave evidence to this Committee on the proposed sex question for the census and heavily referenced the findings of the project. Following our study, NRS have recommended using the self-identification guidance in Scotland's Census 2022, with the decision covered widely by UK and Scottish national media.

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# Financial Review

# 4.

## 4. Financial Review

### Overview

2019/20 was the third year of the business plan year approved by the Trustees in July 2017 with a three-year plan to generate operational surplus in excess of the annual pension deficit reduction contributions which restarted in April 2019. The year has been significantly impacted by the COVID-19 pandemic and consequently the targets for the year were not able to be met.

The financial targets are updated each year with a revised rolling three-year plan which is now projected to the 2022/23 financial year and due to a reworking for the impact of COVID-19, does not meet the previously agreed minimum targets of surplus in excess of pension deficit reduction payments again until 2021/22. The latest three-year plan was approved by Trustees in July 2020.

The income target for 2019/20 had been set at over £36m, a 6% growth on the prior year and in line with previous year's growth with only a small increase in the surplus at £1,396k against the 2018/19 surplus of £1,336k. This had been planned as a year of investment to grow the staff base and capacity ahead of higher income growth rates expected in 2020/21 and beyond.

NatCen had traded in line with this budget between July 2019 and February 2020 however the lockdown imposed as a result of COVID-19 meant that all face to face data collection had to cease resulting in most of our large surveys being suspended. The impact of this was to reduce expected income in the period from March to June 2020 by over £4m. This was in part offset by income from the Government Coronavirus Job Retention Scheme, which came into effect in March 2020 and contributed towards staff salaries not covered by continuing work and from involvement in the Coronavirus Infection Survey commissioned by the Department of Health and Social Care which has involved many survey organisations since May. The result was total income fell by 1% on prior year with net income down by over 78%.

During the year 2019/20 NatCen generated total incoming resources of £34,496k down from £34,891k in 2018/19. Of this £34,453k (2018/19: £34,872k) was from charitable activities, with a further £44k (2018/19: £19k) from investment income. Research carried out for UK Central Government continues to be the main source of income totalling 69% of total income in 2019/20 (72% in 2018/19).

Total expenditure during the year was £34,195k (2018/19: £33,555k) all of which related to research studies. This resulted in net income for the year of £300k (2018/19 £1,336k).

The Trustees review NatCen's performance annually against a number of financial and non-financial Key Performance Indicators (KPI's) including income and surplus, cashflow and cash at bank, headcount development and staff turnover, new business development (value of work won and win rate), forward order book, customer satisfaction, media circulation and reporting impact. At the last review, the Trustees declared they were pleased with the improvement year on year across all KPI's. This review took place before the COVID-19 pandemic.

In the prior year, the charity was required to book a one-off charge of £266k against expenditure relating to the equalisation of guaranteed minimum pension rights following the high court ruling of 26<sup>th</sup> October 2018 on this matter. This is not a cost incurred in the normal course of business but must be treated as expenditure as it is classified as a past service cost and not within Other Recognised Gains or Losses. Without this net income in the prior year would have been £1,602k.

The charity's freehold London properties were valued on a "Fair Value" basis by BNP Paribas Real Estate as at 30 June 2020 and were revalued upwards by £60k to £6,040k. The Trustees have reviewed the valuation and approved the restatement of the property value in the accounts. The annual Trustee

review of the carrying value of the properties for impairment or re-valuation purposes will recommence in July 2021. The next valuation is due to take place in 2025 as per our accounting policy.

The charity suffered from an actuarial loss on its defined benefit pension scheme of £10,571k in the year (2018/19: £5,097k actuarial loss) which is also included in the statement of financial activities on page 40. We have an established long-term plan in place to address our pension deficit as defined in our reserves policy and more detail on the actuarial movements can be found in the going concern and pension notes.

The overall net movement in funds in 2019/20 was a decrease of £10,211k (2018/19: decrease of £3,761k).

## Balance Sheet and Reserves

Net assets before the pension scheme liability decreased to £12,322k at June 2020 from £12,385k at June 2019. The pension liability increased in the year to £37,133k (2019: £26,986k). NatCen's net liabilities, including the pension scheme liability increased to £24,812k (2019: £14,601k).

## 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 the next 13 years.

The Trustees recognise that the key target for the going concern basis is to generate sufficient net income each year to deliver cash generation, after investment, that will more than cover the agreed payments under the deficit contribution scheme. These payments started in April 2019 and total £1,218,000 per annum with a 2% inflationary uplift each April. The current long-term strategy and rolling 3-year business plans support the achievement of this target despite the impact the COVID-19 has had on the 2019/20 financial year and will have on the 2020/21 financial year.

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 not be able 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)
2019:	(26,986)
2020:	(37,133)

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. The most recent valuation has been heavily impacted by the continuing fall in gilt yields wiping out improved returns on the scheme assets and more recently the falls in markets and long-term gilt returns as a result of the COVID-19 pandemic.

The Trustees believe that the business plan to continue to deliver annual surpluses in excess of pension deficit contributions is achievable, despite the fall in net income in the current year and expected inability to deliver this target in 2020/21 and that NatCen has built adequate cash reserves and will make the necessary investments to deliver this. Current expectations are that face to face fieldwork will resume in the first quarter of the 2021 calendar year and the NatCen will return to previous levels of income and surplus from the 2021/22 financial year onwards. 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 2020 were negative £24,811,707 (2019 - £14,601,168). £13,347 (2019 - £16,821) relates to restricted funds as at 30 June 2020. All other funds are unrestricted.

Of the total funds held by NatCen of negative £24,811,707, there is one fund materially in deficit, the Pension Reserve, which has a deficit of £37,133,419. 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 was put in place. Payments have now resumed as of April 2019 at £1,218,000 per year with a 2% uplift in payments effective each April and this payment schedule will remain in place until March 2023 before revisions. 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 £6,040,000 including the revaluation reserve of £3,025,539), 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 to cover fixed overhead. This policy was adopted in 2017/18 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 (2020: £3.0 million 2019: £2.9 million) is in their opinion a reasonable initial target reserve level to mitigate any business interruption due to unforeseen events. The Trustees have set a target to 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.

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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.

At 30 June 2020, we held positive free reserves of £4,941,952 which constitutes 3.3 months operating cash flow (2019 – positive £4,714,895, 3.3 months). The free reserves at 30 June 2020 have exceeded the initial target and whilst the long term plan is to continue to build reserves in the coming years towards the ultimate target of 6 months it should be noted that free reserves are likely to fall in the immediate future due to the continuing impacts of COVID-19. Based on our revised business plan for 2020-2023 we plan to generate sufficient surplus and positive cash flow to support both the scheduled pension scheme deficit reduction payments and future investment from 2021/22 at which point we would expect to start to regrow free reserves. The pension scheme payments will also result in the free reserves growing at a slower rate than they had in the three years to June 2019.

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.

Following the introduction of an investment committee, and the introduction of an interim investment policy, the Leadership Team invested an amount of available cash reserves in a higher rate immediate access savings account. However the development of a full investment policy, planned for the 2019/20 financial year was put on hold due to COVID-19. The investment plan development will be restarted when Trustees feel it is appropriate.

## 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 Chief Commercial Officer 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 both the 3 year rolling plan approved in 2017, and its annual rolling revisions and the longer term strategy “Towards 2025”, with the aim of building the charity to consistently deliver an annual surplus in excess of the annual pension scheme deficit contributions, allied to the cash reserves built during the pension deficit contribution holiday, will provide NatCen with the financial resources to deliver the plan and cover all foreseeable future obligations. The Trustees believe that the

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period of suppressed net income we have now entered due to COVID-19 will not affect NatCen's ability to remain a going concern.

**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 highly 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 restarted deficit repayment contributions of £1,218,000 per annum to the scheme in April 2019 with a 2% uplift each April. Under the current agreed deficit reduction plan payments will be paid monthly over a period of 14 years and 2 months from April 2019.

Other risks reviewed closely in the period include the UK leaving the EU, political volatility and government spending cuts in light of COVID-19.

## 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 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.

We have achieved our first target in the plan which was to grow income whilst improving margins through our transformation goals and bring the organisation to levels of annual surplus by the start of the 2019/20 financial year that will support the cash generation required to cover both the defined benefit pension scheme deficit reduction payments and necessary investment in new technology. The onward aim is to continue to grow both income but particularly surplus to levels far exceeding the pension scheme payments and provide not only for the investment which will ensure NatCen's future but to also broaden the scope to deliver our charitable aims.

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.

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The plan has had to be altered to deal with the impacts of COVID-19 and the reduced income it has brought to the 2019/20 financial year and will bring to the 2020/21 financial year but we remain confident NatCen will return to the planned levels of income and return to the growth path in the Towards 2025 strategy from the 2021/22 financial year onwards.



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# Trustees' statement of responsibilities

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## 5. Trustees' statement of responsibilities

The Trustees, who are also the Directors of National Centre for Social Research 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, Chair of the Board of Trustees.

05 November 2020



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# Independent Auditor's report

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## 6. Independent Auditor's report to the Trustees and Members of National Centre for Social Research

### Opinion

We have audited the financial statements of National Centre for Social Research (the 'charitable company') for the year ended 30 June 2020 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 2020 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.

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## 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.

## Responsibilities of Trustees

As explained more fully in the Statement of Trustees' responsibilities set out on page 34, 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.

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## 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 10 November 2020

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

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# Financial statements

7.

## 7. Financial statements

### Statement of financial activities including the summary income and expenditure account for the year ended 30 June 2020

	Notes	2020 Restricted Funds £	2020 Unrestricted Funds £	2020 Total Funds £	2019 Total Funds £
<b>Income</b>					
<i>Income from charitable activities:</i>					
Income from research studies	2	475,674	32,279,628	32,755,302	34,871,995
<i>Other income:</i>					
Coronavirus Job Retention Scheme (CJRS) grant		-	1,696,705	1,696,705	-
<i>Investment income:</i>					
Interest receivable		-	43,568	43,568	18,797
<b>Total income</b>		475,674	34,019,901	34,495,575	34,890,792
<b>Expenditure</b>					
<i>Expenditure on charitable activities</i>					
Research studies	3	479,148	32,019,359	32,498,507	33,555,152
<i>Other expenditure:</i>					
Coronavirus Job Retention Scheme (CJRS) grant		-	1,696,705	1,696,705	-
<b>Total expenditure</b>		479,148	33,716,064	34,195,212	33,555,152
<b>Net income for the year</b>		(3,474)	303,837	300,363	1,335,640
<b>Other recognised gains and losses</b>					
Gain on revaluation of property	10	-	60,000	60,000	-
Remeasurement of defined benefit pension scheme liability	14	-	(10,570,902)	(10,570,902)	(5,096,702)
<b>Net movement in funds</b>		(3,474)	(10,207,065)	(10,210,539)	(3,761,062)
<b>Reconciliation of funds</b>					
<b>Fund balances brought forward</b>	10	16,821	(14,617,989)	(14,601,168)	(10,840,106)
<b>Fund balances carried forward</b>	10	13,347	(24,825,054)	(24,811,707)	(14,601,168)

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



# Balance Sheet as at 30 June 2020

Company number: 04392418

	Notes	2020 £	2020 £	2019 £	2019 £
<b>Fixed assets</b>					
Tangible fixed assets	6		7,379,760		7,670,406
<b>Current assets</b>					
Stocks	7	342,497		542,027	
Debtors	8	7,440,506		9,778,847	
Cash at bank and in hand		<u>13,428,638</u>		<u>6,456,523</u>	
		21,211,641		16,777,397	
<b>Liabilities</b>					
Creditors: amounts falling due within one year	9	<u>(15,848,546)</u>		<u>(11,604,780)</u>	
<b>Net current assets</b>			<u>5,363,095</u>		<u>5,172,617</u>
<b>Total assets less current liabilities</b>			12,742,855		12,843,023
Creditors: amounts falling due after more than one year	9		(9,143)		(45,722)
Provisions	9		<u>(412,000)</u>		<u>(412,000)</u>
<b>Net assets excluding pension scheme liability</b>			12,321,712		12,385,301
<b>Defined benefit pension scheme liability</b>	14		<u>(37,133,419)</u>		<u>(26,986,469)</u>
<b>Net liabilities including pension scheme liability</b>			<u>(24,811,707)</u>		<u>(14,601,168)</u>
<b>The funds of the charity</b>					
<b>Unrestricted funds</b>					
General fund	10	6,268,365		6,388,480	
<b>Unrestricted designated funds</b>					
Property fund (including revaluation reserve £3,025,539)	10	6,040,000		5,980,000	
<b>Total Unrestricted Funds</b>			12,308,365		12,368,480
<b>Restricted Funds</b>	10		13,347		16,821
<b>Pension reserve</b>	10		<u>(37,133,419)</u>		<u>(26,986,469)</u>
Total funds			<u>(24,811,707)</u>		<u>(14,601,168)</u>

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The notes on pages 44 to 64 form part of these financial statements.

The financial statements on pages 40 to 64 were approved and authorised for issue by the Trustees and signed on their behalf by:

**Professor Sir Robert Burgess, Chair of the Board of Trustees**

**Date:** 05 November 2020



## Statement of Cash Flows for the Year Ended 30 June 2020

	Notes	2020 £	2020 £	2019 £	2019 £
<b>Cash provided by operating activities</b>	15		7,241,412		1,439,754
<b>Cash flows from investing activities</b>					
Bank interest received		43,568		18,797	
Proceeds from sale of tangible fixed assets		-		5,623	
Cost of purchasing tangible fixed assets		(276,286)		(532,918)	
<b>Net cash used in investing activities</b>			(232,718)		(508,498)
<b>Cash flows from financing activities</b>					
Repayments of finance lease commitments		(36,579)		(36,579)	
<b>Net cash used in financing activities</b>			<u>(36,579)</u>		<u>(36,579)</u>
<b>Increase in cash and cash equivalents in the year</b>			6,972,115		894,677
Cash and cash equivalents at the beginning of the year			<u>6,456,523</u>		<u>5,561,846</u>
Cash and cash equivalents at the end of the year			<u>13,428,638</u>		<u>6,456,523</u>

## 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) (second edition effective 1 January 2019) – (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 2019 full actuarial valuation to 30 June 2020. 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 allows 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 are valued every five years by a qualified external surveyor, the most recent of which was carried out in June 2020. 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.

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

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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.

The Trustees have considered the impact of the coronavirus outbreak and do not anticipate that any material uncertainties exist that will impact the charity's ability to continue as a going concern. Although, face-to-face fieldwork has paused due to the pandemic, we expect to resume in the next calendar year. Alternative ways of working including telephoning and online surveys have also been agreed on a number of projects. Additional revenue has been earned to date and expected to increase going forward from the face-to-face data collection activity on the Coronavirus Infection Study (CIS) which will offset revenue reduced on all other delayed face-to-face fieldwork. The Trustees believe that although the 2019/20 and 2020/21 financial years will not deliver large surpluses, the business plan to deliver annual surpluses in excess of pension deficit contributions is still achievable and the charity will return to this level from 2021/22. Trustees believe NatCen will continue to have the cash reserves to meet all liabilities as they fall due.

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. 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. 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.

**Government grants** Government grants are recognised at fair value when there is reasonable assurance that NatCen will comply with the conditions attaching to them and the grants will be

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received. Grants related to the Coronavirus Job Retention Scheme are treated as income in the period to which each grant claim relates and treated as other income in the Statement of Financial Activities.

### 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 a fixed incentive is provided to the respondent, an expense is recorded against the relevant project. Where NatGen issues incentive vouchers which can be reclaimed if not cashed, the expense booked is an estimate based on historical encashment rates and adjusted to actual cost once un-cashed vouchers are reclaimed.
- 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.

NatGen's only **designated fund** is the value of our freehold London properties. (2020: £6,040,000 and 2019: £5,980,000).

- b) **Restricted Funds** are funds which are grants to be used in accordance with specific restrictions imposed by the funder. 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 or more

frequently when the Trustees judge it likely that there has been a material change in value, 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 charge. The expected useful economic life of the freehold property results in immaterial depreciation and therefore no annual charge is made.
Leasehold improvements	Costs spread equally over 5 years from date of installation or remainder of lease if less than 5 years.
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 initially measured at cost and subsequently 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.

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**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 and the Coronavirus Job Retention Scheme grant, NatCen derives all of its income from research projects which fund all specific project costs and other administrative costs. NatCen receives a very small amount in donations and no payments in kind or core funding towards the general pursuit of its charitable aims.

	2020	2019
	£	£
Research income arose from the following sources:		
Policy Research	6,019,138	5,920,148
Survey Research	26,500,688	28,785,248
Other research studies	235,476	166,599
Total income from research studies	32,755,302	34,871,995

A foreign exchange loss of £8,777 has been recognised in 2020 (2019: loss of £1,972).

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.

£185,789 of Policy Research income and £289,885 of Survey Research income was restricted (2019: £241,518 Policy Research and £41,048 Survey Research)

## 3. Analysis of expenditure on charitable activities

	Policy Research	Survey Research	Other	2020	2019
	£	£	£	£	£
<b><i>Charitable activities</i></b>					
Direct project costs	2,593,249	12,887,327	1,178,056	16,658,632	16,421,941
Indirect project costs	451,182	5,881,220	-	6,332,402	6,882,514
Direct research costs	1,399,774	1,362,147	202,683	2,964,604	2,474,077
Property costs	413,287	487,896	-	901,183	1,050,100
IT costs	143,172	630,348	-	773,520	637,500
Non-payroll staff costs	169,354	707,186	-	876,540	734,292
Depreciation	116,033	510,865	-	626,898	567,120
Irrecoverable VAT	18,640	82,069	-	100,709	69,889
Service costs	89,200	984,636	259,640	1,333,476	1,171,638
Support costs	660,947	2,909,975	56,326	3,627,248	3,546,081
Total non-exceptional resources expended	6,054,838	26,443,669	1,696,705	34,195,212	33,555,152

Other costs relate to 80% staff and interviewer costs funded by the Coronavirus Job Retention Scheme (CJRS)

£191,928 of Policy Research expenditure and £287,220 of Survey Research expenditure was restricted (2019: £228,068 Policy Research and £38,261 Survey Research)

## Support costs

	2020 £	2019 £
Management	222,417	218,453
Marketing & Comms	394,758	393,652
Human Resources	231,061	195,685
Finance	1,454,124	1,527,449
IT	936,029	825,793
Facilities	160,914	212,213
Governance	227,945	172,836
Total	<u>3,627,248</u>	<u>3,546,081</u>

The one off loss due to pension benefit changes of £265,899 and relating to the equalisation of guaranteed minimum pension rights has been included within Finance support costs in 2019.

## Net expenditure is stated after charging:

	2020 £	2019 £
Fees payable to charity's auditors for audit of annual financial statements (net of VAT)	32,450	37,850
Fees payable to charity's auditors for consultancy (net of VAT)	13,000	-
Depreciation - owned assets	587,905	528,127
Depreciation - assets under finance lease	38,993	38,993
(Loss)/profit on asset disposal	35	(4,758)
Operating lease rentals		
- land and buildings	668,203	662,023
- other	23,947	17,950
Stock expensed	988,910	1,261,962
Finance lease interest	3,314	3,314

## 4. Staff costs

	2020 £	2019 £
<b>Wages &amp; salaries</b>		
Direct employees	10,553,798	9,584,218
Temporary, freelance and casual workers	5,724,236	5,551,762
<b>Social security costs</b>		
Direct employees	1,007,536	931,019
Temporary, freelance and casual workers	231,576	224,792
<b>Pension costs</b>		
Employer's contributions to defined contribution schemes	719,052	631,698
Operating costs of the defined benefit scheme	144,218	128,118
Losses due to past service costs of the defined benefit scheme	-	265,899
	<u>18,380,416</u>	<u>17,317,506</u>

The cost (in addition to the above) of temporary/interim staff employed through an agency or on a consultancy basis was £112,896 (2019: £172,569)  
£40,169 of termination payments were paid to two staff in the year (2019: £Nil) which are included in wages and salaries above.

	2020	2019
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The average monthly number of employees during the year was as follows:

**Direct employees**

Research	165	148
Data Collection	73	74
IT	23	25
Other support including CEO	32	31
	293	278

NatCen Social Research employed 274 full-time equivalent staff during the year (2019: 258).

**Temporary, freelance and casual workers (average monthly)**

Research and data collection	822	844
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The number of higher paid employees was as follows:

	2020	2019
Taxable emoluments band		
£60,001-£70,000	10	9
£70,001-£80,000	3	3
£80,001-£90,000	1	-
£90,001-£100,000	1	-
£100,001-£110,000	1	1
£120,001-£130,000	1	1
£150,001-£160,000	-	1
£170,001-£180,000	1	-
	18	15

The total employee benefits (including employer pension and national insurance contributions) of the key management personnel (as detailed on page 13) of the charity were £202,118 (2019: £189,992).

NatCen made contributions to defined contribution pension schemes on behalf of all employees whose emoluments exceeded £60,000 and the total contributions payable during the year amounted to £96,588 (2019: £76,531)

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## 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 (2019: £10,254).

No Trustees received remuneration in the year (2019: £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 4 Trustees reimbursed this year amounted to £2,135 (2019: £1,811 – 5 Trustees).

### **Trustee Transactions**

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

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

In addition, until 20 February 2020 Alan Botterill was a Trustee of the Defined Benefit Pension Scheme and since 20 February 2020 Mark Duke is a Trustee of the Defined Benefit Pension Scheme. This is a recognised conflict of loyalty 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	Total
	£	£	£	£	£
<b>Cost or valuation</b>					
At 1 July 2019	5,980,000	180,719	3,843,192	509,781	10,513,692
Additions	-	-	258,316	17,970	276,286
Revaluation gain	60,000	-	-	-	60,000
Disposals	-	-	(211,362)	(203,364)	(414,726)
Transfers	-	-	-	-	-
At 30 June 2020	<u>6,040,000</u>	<u>180,719</u>	<u>3,890,146</u>	<u>324,387</u>	<u>10,435,252</u>
<b>Depreciation</b>					
At 1 July 2019	-	112,958	2,387,100	343,228	2,843,286
Charge for the year	-	24,207	572,196	30,495	626,898
Disposals	-	-	(211,328)	(203,364)	(414,692)
At 30 June 2020	<u>-</u>	<u>137,165</u>	<u>2,747,968</u>	<u>170,359</u>	<u>3,055,492</u>
<b>Net book value</b>					
At 30 June 2020	<u>6,040,000</u>	<u>43,554</u>	<u>1,142,178</u>	<u>154,028</u>	<u>7,379,760</u>
At 30 June 2019	<u>5,980,000</u>	<u>67,761</u>	<u>1,456,092</u>	<u>166,553</u>	<u>7,670,406</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 BNP Paribas Real Estate in June 2020. The fair value assigned to the properties was £6,040,000 and a revaluation gain was recognised in the year to 30 June 2020.

The Trustees of the defined benefit pension scheme hold a charge over the properties as security for the pension liability.

The carrying value of computer equipment held under a finance lease is £51,883 (2019: £90,983)

## 7. Stocks and work in progress

	2020 £	2019 £
Stocks	<u>342,497</u>	<u>542,027</u>

## 8. Debtors

	2020 £	2019 £
Trade debtors	2,512,673	5,270,544
Project accrued income	4,172,885	3,886,535
Other debtors	18,498	56,525
Prepayments	<u>736,450</u>	<u>565,243</u>
	<u>7,440,506</u>	<u>9,778,847</u>

## 9. Creditors: amounts falling due within one year

	2020 £	2019 £
Trade creditors	1,357,060	1,907,152
Project deferred income *	8,481,504	6,113,496
Tax and social security	2,126,927	320,864
Accruals	3,726,670	3,125,713
Finance lease liability	36,579	36,579
Other liabilities	<u>119,806</u>	<u>100,976</u>
	<u>15,848,546</u>	<u>11,604,780</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

	2020 £	2019 £
At 1 July	6,113,496	4,353,128
Deferred during the year	8,481,504	6,113,496
Released to the Statement of Financial Activities in the year	<u>(6,113,496)</u>	<u>(4,353,128)</u>
At 30 June	<u>8,481,504</u>	<u>6,113,496</u>

## Creditors: amounts falling due after more than one year

	2020 £	2019 £
Finance lease liability	9,143	45,722
	<u>9,144</u>	<u>45,722</u>

## Provisions

	1 July 2019 £	Charged to the statement of financial activities £	30 June 2020 £
Dilapidation provision	300,000	-	300,000
Client rebate provision	112,000	-	112,000
	<u>412,000</u>	<u>-</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 which are due within:

	2020 £	2019 £
1 year	36,579	36,579
2 - 5 years	<u>9,143</u>	<u>45,722</u>
Total	<u>45,722</u>	<u>82,301</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 2020

	Balance at 1 July 2019	Income	Expenditure	Gains and revaluations	Balance at 30 June 2020
<i>Unrestricted funds</i>	£	£	£	£	£
General fund	6,388,480	34,019,901	(34,140,016)	-	6,268,365
Designated fund- property:					
at cost	3,014,461	-	-	-	3,014,461
revaluation	2,965,539	-	-	60,000	3,025,539
	<u>5,980,000</u>	<u>-</u>	<u>-</u>	<u>60,000</u>	<u>6,040,000</u>
Pension reserve	(26,986,469)	-	423,952	(10,570,902)	(37,133,419)
	<u>(14,617,989)</u>	<u>34,019,901</u>	<u>(33,716,064)</u>	<u>(10,510,902)</u>	<u>(24,825,054)</u>
<b><i>Restricted Funds</i></b>	16,821	475,674	(479,148)	-	13,347
Total Restricted	<u>16,821</u>	<u>475,674</u>	<u>(479,148)</u>	<u>-</u>	<u>13,347</u>
Total Funds	<u>(14,601,168)</u>	<u>34,495,575</u>	<u>(34,195,212)</u>	<u>(10,510,902)</u>	<u>(24,811,707)</u>

Restricted funds relate to grant funded research projects for the Forces in Mind Trust, GambleAware and What Works Centre for Children's Social Care.

The Forces in Mind Trust research project relates to the mental health needs of serving and ex-serving personnel. Fund balance carried forward at 30 June 2020 was nil (2019: £8,900)

The GambleAware research projects relate to the effect of marketing & advertising on children, young people and vulnerable people, treatment delivery gap analysis and patterns of play and consumer vulnerability. Fund balance carried forward at 30 June 2020 was £12,525 (2019: £7,921)

What Works Centre for Children's Social Care relates to family drug and alcohol court evaluation. Fund balance carried forward at 30 June 2020 was £822 (2019: nil)

The Coronavirus Job Retention Scheme (CJRS) grant relates to government funding received to cover 80% of furloughed staff wages plus employer National Insurance and pension contributions. £1,696,705 of the unrestricted income and costs relate to the CJRS grant. No CJRS grants were claimed relating to government funded contracts where work and government funding has continued.



## Movement in funds for the year ended 30 June 2019

	Balance at 1 July 2018 £	Income £	Expenditure £	Gains and revaluations £	Balance at 30 June 2019 £
<b><i>Unrestricted funds</i></b>					
General fund	4,353,605	34,608,226	(32,573,351)	-	6,388,480
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	(21,174,294)	-	(715,473)	(5,096,702)	(26,986,469)
	<u>(10,840,689)</u>	<u>34,608,226</u>	<u>(33,288,824)</u>	<u>(5,096,702)</u>	<u>(14,617,989)</u>
<b><i>Restricted Funds</i></b>	583	282,566	(266,328)	-	16,821
Total Restricted	<u>583</u>	<u>282,566</u>	<u>(266,328)</u>	<u>-</u>	<u>16,821</u>
Total Funds	<u>(10,840,106)</u>	<u>34,890,792</u>	<u>(33,555,152)</u>	<u>(5,096,702)</u>	<u>(14,601,168)</u>

Restricted funds relate to grant funded research projects for the Forces in Mind Trust and GambleAware.

The Forces in Mind Trust research project relates to the mental health needs of serving and ex-serving personnel.

The GambleAware research projects relate to the effect of marketing & advertising on children, young people and vulnerable people, treatment delivery gap analysis and patterns of play and consumer vulnerability.

## 11. Analysis of net assets between funds

For the year ended 30 June 2020

	Fixed assets	Net current assets less creditors due after one year and provisions	Defined benefit pension scheme liability	Total
	£	£	£	£
General unrestricted fund	1,339,760	4,928,605	-	6,268,365
Restricted funds	-	13,347	-	13,347
Property fund	6,040,000	-	-	6,040,000
Pension reserve	-	-	(37,133,419)	(37,133,419)
	<u>7,379,760</u>	<u>4,941,952</u>	<u>(37,133,419)</u>	<u>(24,811,707)</u>

For the year ended 30 June 2019

	Fixed assets	Net current assets less creditors due after one year and provisions	Defined benefit pension scheme liability	Total
	£	£	£	£
<b><i>Unrestricted funds</i></b>				
General fund	1,690,406	4,698,074	-	6,388,480
Restricted fund	-	16,821	-	16,821
Property fund	5,980,000	-	-	5,980,000
Pension reserve	-	-	(26,986,469)	(26,986,469)
	<u>7,670,406</u>	<u>4,714,895</u>	<u>(26,986,469)</u>	<u>(14,601,168)</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:

	2020 £	2019 £
1 year	819,525	819,525
2 - 5 years	1,651,332	2,455,755
Over 5 years	-	15,895
<b>Total</b>	<b>2,470,857</b>	<b>3,291,175</b>

### Total minimum payments payable for other operating leases due within:

	2020 £	2019 £
1 year	12,632	14,613
2 - 5 years	-	-
<b>Total</b>	<b>12,632</b>	<b>14,613</b>

## 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 and all future accrual in March 2016. 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 176 members at 30 June 2020 (2019: 165) The contributions payable by NatCen charged to profit or loss totalled £490,954 (2019: £448,095) of which £40,769 are included in creditors at the year end (2019: £38,572).

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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 91 members of staff contributing to the Scottish Widows auto-enrolment scheme at 30 June 2020 (2019: 88) and 222 freelancers contributing to The People's Pension auto-enrolment scheme at 30 June 2020 (2019: 233). NatCen's contribution to both schemes in 2020 was £228,098 (2019: £183,603) of which £21,014 are included in creditors at the year end (2019: £17,961).

### **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 2019 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 £49,449,000. NatCen has agreed with the Trustees that it will aim to eliminate the deficit over a period of 14 years 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 2022.

For the purposes of FRS102 the actuarial valuation as at 31 March 2019, which was carried out by a qualified independent actuary, has been updated on an approximate basis to 30 June 2020.

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

	2020	2019
	£	£
Fair value of scheme assets	66,039,516	61,942,476
Present value of scheme liabilities	(103,172,935)	(88,928,945)
Deficit in scheme recognised as a liability	(37,133,419)	(26,986,469)

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 NatCen continuing to fund the ongoing liabilities of the scheme.

## Changes in the present value of the defined benefit obligation

	2020	2019
	£	£
Defined benefit obligation at 1 July	88,928,945	80,940,070
Current service cost	-	-
Expenses	144,218	128,118
Interest cost	2,184,758	2,354,966
Actuarial losses/(gains)	13,732,644	7,865,421
Benefits paid, death in service premiums & expenses	(1,817,630)	(2,625,529)
Past Service Cost	-	265,899
<b>Defined benefit obligation at 30 June</b>	<b>103,172,935</b>	<b>88,928,945</b>

## Changes in the fair value of the plan assets

	2020	2019
	£	£
Plan assets at 1 July	61,942,476	59,765,776
Interest income	1,528,838	1,729,010
Return on plan assets less interest income	3,161,742	2,768,719
Contributions by NatCen Social Research	1,224,090	304,500
Benefits paid, death in service premiums & expenses	(1,817,630)	(2,625,529)
<b>Plan assets at 30 June</b>	<b>66,039,516</b>	<b>61,942,476</b>

The actual return on the scheme assets in the year ending 30 June 2020 was £4,690,580.

## Total expense recognised in the Statement of Financial Activities

	30 June 2020	30 June 2019
	£	£
Current service cost	-	-
Expenses	144,218	128,118
Net interest cost	655,920	625,956
Past Service Cost	-	265,899
<b>Total expense recognised in the Statement of Financial Activities</b>	<b>800,138</b>	<b>1,019,973</b>

## Statement of other recognised gains and losses

	30 June 2020	30 June 2019
	£	£
Return on plan assets less interest income	3,161,742	2,768,719
Actuarial (losses)	(13,732,644)	(7,865,421)
<b>Total amount recognised in other recognised gains and losses</b>	<b>(10,570,902)</b>	<b>(5,096,702)</b>

## Assets

	30 June 2020	30 June 2019
	£	£
Equity	33,170,333	51,307,289
Corporate Bonds	9,414,204	3,041,009
Cash	5,671,411	94,379
Liability Driven Investments	17,783,568	7,499,799
<b>Total assets</b>	<b>66,039,516</b>	<b>61,942,476</b>

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

	2020 % per annum	2019 % per annum
Rate of discount	1.59	2.48
Inflation (RPI)	3.00	3.30
Inflation (CPI)	2.30	2.20
Salary increases	n/a	n/a
Allowance for revaluation of deferred pensions of CPI or 5% p.a. if less	2.30	2.20
Allowance for revaluation of deferred pensions of RPI or 5% p.a. if less	3.00	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.	3.60	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 2020 imply the following life expectancies:

	Life expectancy at age 60 (Years)
Male retiring in 2020	26.6
Female retiring in 2020	28.5
Male retiring in 2040	28.1
Female retiring in 2040	30.0

The best estimate of contributions to be paid by NatCen to the scheme for the year commencing 1 July 2020 is £1,031,500.

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

	2020 £	2019 £
<i>Net income for the year (as per the statement of financial activities)</i>	300,363	1,335,640
(Profit)/loss on disposal of fixed assets	35	(4,758)
Interest received	(43,568)	(18,797)
Depreciation charges	626,898	567,120
Decrease in stocks	199,530	107,674
Decrease/(Increase) in debtors	2,338,341	(2,359,320)
Increase in creditors	4,243,765	1,096,722
Defined benefit pension costs (Note 14)	800,138	1,019,973
Defined benefit pension contributions payable (Note 14)	(1,224,090)	(304,500)
	_____	_____
<b>Net cash provided by operating activities</b>	<u><u>7,241,412</u></u>	<u><u>1,439,754</u></u>

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