

# **NatCen**

**Social Research** that works for society

# **Annual report and accounts.**

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## **2013/2014**

**NATIONAL CENTRE FOR SOCIAL RESEARCH**

Company Registration Number: 4392418

Charity Registration Number: 1091768

Scotland Charity Registration Number: SC038454

**At NatCen Social Research we believe that social research has the power to make life better. By really understanding the complexity of people's lives and what they think about the issues that affect them, we give the public a powerful and influential role in shaping decisions and services that can make a difference to everyone. And as an independent, not for profit organisation we're able to focus our time and energy on meeting our clients' needs and delivering social research that works for society.**

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# **Introduction**

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The Trustees present this annual report with the audited financial statements for the year to 30 June 2014. At NatCen Social Research we are driven by the belief that social research has the power to make life better. Our research works for society by providing a rich understanding of people's views, circumstances and behaviours to underpin social policy-making and help address the many challenges society faces.

2013/14 has been a mixed year. We have seen success in terms of the delivery of our research projects and our impact, but also significant challenges posed by a difficult market and the resulting financial performance. We have undertaken a major organisational change programme in response.

Our achievements this year are many: we have delivered a wide range of projects across the full social policy spectrum, continuing to share our findings with decision-makers, opinion-formers and practitioners. These included national statistics such as the Health Survey for England, which we are contracted to deliver until 2019, complex policy evaluations and work with extremely challenging groups such as sex offenders.

NatCen Social Research is committed to delivering public benefit and this year we have continued to play a key role in building social research capacity in the UK. We are committed to methodological innovation and tackling the many research challenges the research community faces. Through NatCen Learning we have shared our skills and expertise with other researchers, including launching a new NatCen Learning website to support extended development activities for participants.

We are sharing our extensive knowledge of people and society, and findings from our studies, more widely through events and making our data available to others for analysis via data archives. We have drawn regularly on data from our annual surveys of attitudes, British Social Attitudes and Scottish Social Attitudes, to influence the news agenda and contribute to topical policy debates throughout the year, most markedly around Scottish independence and racial prejudice.

This impact has been achieved despite a difficult financial year. Along with other research organisations we continued to experience the impact of a changing landscape for the social research market, reflected in fewer, smaller commissions that are attracting greater competition. Our financial results reflect this, and in response to the market we have pursued a programme of organisational change including restructuring and redundancies. We refer to various aspects of the change programme throughout this report. This programme has brought the business rapidly back into balance and, together with ongoing improvement and innovation initiatives, means the organisation is well-placed to deliver its financial and strategic priorities for the coming year.

Our role as Trustees is to provide stewardship of the organisation. We have overseen many changes within the organisation to modernise and streamline our business, and as a Board we are confident that NatCen Social Research remains in a strong position to continue to deliver the high quality and impactful research that society needs. I would like to thank my colleagues on the Board for their ongoing commitment to NatCen Social Research, and their continued willingness to lend NatCen Social Research their expertise, experience, challenge and insight. In addition, I would like to thank our colleagues in NatCen Social Research who continue to develop our research and disseminate our findings, thus contributing to the process of policy-making. My colleagues on the Board join with me in wishing them every continued success.



**Professor Sir Robert Burgess**  
Chair of Trustees

# **Structure, governance and management**

**1.**

## 1a. Our legal structure

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

NatCen Social Research's governing document is its Memorandum and Articles of Association, last amended in 2008. This establishes the governance of NatCen Social Research as the responsibility of the Board of Trustees who are the directors of the company as well as being its members.

## 1b. Key activities

The charitable objects of NatCen Social Research 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 Social Research's principal activity over the past year has been the delivery of a large number of research projects into all areas of social policy, with a particular focus on health and well-being, children and young people, crime and justice, income and work, and society and social change, to inform public policy and wider debate. A number of the projects we have undertaken included quantitative surveys or qualitative studies carried out throughout the UK. The Scottish Centre for Social Research (ScotCen Social Research) is an integral part of NatCen Social Research and undertakes research reflecting the distinct characteristics of the social and political environment in Scotland. We also carry out a number of projects in Wales. We do not have a field presence in Northern Ireland, but partner regularly with the Northern Ireland Statistics and Research Agency (NISRA) on major projects.

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

Also important to the delivery of our mission is NatCen Learning's delivery of training and capacity-building in research skills, and our development of research methodologies. These activities have enabled NatCen Social Research to build expertise and promote research quality amongst the wider community of researchers across the UK, and to ensure that research methods evolve and transform to solve information needs in new ways, while retaining scientific rigour. We have a distinct role to play as a not-for-profit organisation in the commercial research market in helping ensure that research is commissioned most effectively for the public good. We actively engage in the Social Research Association, with Government Social Research, the Economic and Social Research Council (ESRC), and in a number of specific initiatives, as well as 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 2: Objectives and activities: Our approach to delivering public benefit.

## 1c. Board of Trustees

NatCen Social Research is governed by its Board of Trustees who are also its Directors. During 2013/14 the Board comprised the following members:

- **Professor Sir Robert Burgess:** Chair of Trustees and Chair of Nominations and

Remuneration Committees.

- **Barbara Beckett** (appointed 1 October 2013). Resigned 1 September 2014.
- **Alan Botterill**: Member of Remuneration Committee and Pension Scheme Trustee.
- **Ken Caldwell**: Member of Audit Committee.
- **Nicholas Deyes** (appointed 1 October 2013).
- **Professor Sir Ian Diamond**: Member of Nominations and Remuneration Committees.
- **Dr Jennifer Dixon**: Member of Remuneration Committee.
- **Steve Egan**: Chair of Audit Committee.
- **Sally Ford-Hutchinson**: Member of Nominations Committee. Retired 31 December 2013.
- **Barbara Noble** (appointed 1 October 2013).
- **James Thickett** (appointed 1 October 2013).
- **Professor Paul Wiles**: Member of Audit Committee.

Biographies of all 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 of the Board, which undertakes an open recruitment process and recommends new candidates for appointment when necessary, and ensures appropriate recruitment and succession plans are in place.

On appointment, each Trustee completes a declaration of interests which is held within a register of interests and updated annually. Their related party transactions are disclosed in greater detail at Note 5 to the annual accounts later in this report. All conflicts are actively managed during the course of all NatCen Social Research 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 Social Research and its work, and a programme of meetings with senior staff and other Trustees.

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

As a Board we regularly review our performance to identify the need and opportunities for new ways of working and also training, which we conduct as required.

Three committees (Audit, Nominations and Remuneration) report to the Board with responsibility for the following areas:

- **Audit Committee**: Financial reporting and the effectiveness of internal controls and risk management processes, and receiving audit reports, chaired by Steve Egan
- **Nominations Committee**: Appointment of new Trustees, chaired by Professor Sir Robert Burgess
- **Remuneration Committee**: Remuneration of the Chief Executive and the Senior Management Team, chaired by Professor Sir Robert Burgess

Committee members are all Trustees with the exception of Andy Farrell, Director of Finance and Facilities at the London School of Economics, who was co-opted as an independent member to the Audit Committee in September 2009.

As a Board we are responsible for setting the aims and direction of NatCen Social Research and each year we approve the business plan and budget. We also have the power to appoint a Chief Executive and to delegate day to day



management of NatCen Social Research to him/her. A clear distinction exists between our responsibilities as Trustees and the delegated responsibilities of Management that are set out in a protocol.

## 1d. Senior Management Team

The Chief Executive is responsible for appointing senior managers who are collectively responsible for the management and operation of NatCen Social Research and for reporting to Trustees on the operation of the organisation, including its financial position. During the past year, a number of changes have been made at the Senior Management Team level, some of which are as part of a wider organisational reorganisation. The Directors of the two newly-created Centres for our research work have joined the Senior Management Team.

The team at the date of this report comprised:

- **Chief Executive:** Penny Young
- **Director of Field:** Sophie Ainsby (from 15 September 2014)
- **Director of Finance:** Donna Cullen (from 26 September 2014)
- **Director of Policy Research Centre:** Jane O'Brien
- **Director of Service Division:** Tina Parfitt
- **Director of Survey Centre:** Kirby Swales
- **Director of Human Resources:** Nicola Willis
- **Director of Learning and Enterprise:** Kandy Woodfield

The Senior Management Team is responsible for implementing the strategy and policies agreed with Trustees and reporting to the Board on its performance in delivering these.

## 1e. Our funding and resources

NatCen Social Research is funded by income from its research and educational 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 Social Research's funding is contract and grant-related; it receives no core funding from any source.

NatCen Social Research employed 244 full-time equivalent staff at 30 June 2014.

In the first half of 2014, we reorganised our Research function into two Centres to further strengthen our capability to deliver quality and impactful research. Our Policy Research Centre is focused on delivering qualitative and quantitative policy research studies, and our Survey Centre has expertise in large-scale and complex surveys across the full spectrum of modes. Within these centres are six core teams delivering research in particular policy areas or modes:

### Policy Research Centre

- Children, Families and Work
- Crime and Justice
- Health, Social Attitudes and Environment

### Survey Centre

- Household Surveys
- Longitudinal Surveys
- Health and Biomedical Surveys

The Scottish Centre for Social Research (ScotCen Social Research) is an integral part of NatCen Social Research that serves the research

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needs of Scotland in addition to being fully integrated into the work of the research Centres above (see also section 3a).

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

## 1g. Auditor

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

## 1f. Our approach to our work

NatCen Social Research is an equal opportunities employer. We recognise that everyone should be treated with respect and dignity and that a working environment must be provided which is free of any form of discrimination, harassment, bullying or victimisation in relation to any of the protected characteristics. In addition, we provide the maximum possible access arrangements at each of our permanent sites in order to allow unrestricted employment of individuals who have special access needs. NatCen Social Research 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 a temporary, freelance or casual worker basis.

# **Objectives and activities**

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# **2.**

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## Our approach to delivering public benefit

Delivering public benefit is at the core of our mission. In this section we briefly describe how NatCen Social Research does this. We then review our performance in 2013/14 against the objectives we set Management last year with examples of how we delivered public benefit.

At NatCen Social Research we deliver public benefit by:

- Focusing our work on the vitally important social issues and themes that are directly relevant to the lives of people in Britain today. These include health and nutrition, poverty, environment, work, education, crime and justice. We undertake the most technically demanding research contracts, challenging perhaps because of the methodological approach, or because of the characteristics of the participants or research environment. As well as providing detailed understanding of the circumstances, attitudes and behaviours of the wider public, we research groups with particular needs in great detail too.
- Sharing and communicating what we learn about people and society as widely as possible, with policy makers and their advisers, select committees and other advisory bodies, research foundations and charities, industry bodies and practitioners, participants and people in the target group, the press and media commentators, academics and the wider research community via data archives. Our reputation for robust, high quality and independent data, analysis and insights means that our research is used with confidence by a wide range of users to inform, influence and evaluate policy – directly impacting on the lives of people across the UK.
- Tackling the challenges that the survey and qualitative research world is currently facing through our methodological work and sharing our research expertise through

NatCen Learning's activities, Economic and Social Research Council (ESRC)-funded networks, and special events that we produce or convene.

- Working to ensure that research is commissioned most effectively for the public good by responding to public consultations, and active engagement with sector bodies. For example, through active engagement with the ESRC, Nuffield Foundation, Social Research Association and Government Social Research and responding to research relevant consultations such as those issued by the ESRC, Office for National Statistics (ONS), and the Department for Business, Innovation & Skills (BIS).

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. We are able to confirm that we have complied with the duty in The Charities Accounts and Reports Regulations 2008 to have due regard to public benefit guidance published by the Charity Commission.

# **Strategic report**

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# **3.**

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## 3a. Performance against 2013/14 corporate objectives

This section reports on performance against the five corporate objectives the Board of Trustees set management last year. These objectives reflect the vision we set for NatCen Social Research in 2008 as part of a ten year strategy of “being the UK’s leading social research organisation, setting the standards for others in generating research findings and interpreting evidence for policy purposes” and of seeking to deliver maximum public benefit from its work.

In summary, these objectives were:

- **External impact.** Working to build our reputation and profile to support the use of our research findings to inform public debate and social policy.
- **Delivering client satisfaction.** Working to ensure that we deliver projects that meet our clients’ needs, developing our product offer, and making demonstrable progress in diversifying our business.
- **Improving service and efficiency.** Continuing to modernise the organisation’s internal systems and processes so that our research can better meet our clients’ requirements and have a greater impact.
- **Financial performance.** Continuing to ensure financial sustainability through delivery of an agreed surplus.
- **Our people.** Ensuring that we recruit and retain the people that NatCen Social Research needs to carry out its business, and support their development.

### Objective 1. Impact

We asked Management to work to ensure our research findings are used to inform public debate and the development of social policy, increasing our reputation and profile, creating

wider impact using our research experts and study findings, and supplying impactful participant communications. Achieving impact from our research is one of the main ways in which NatCen Social Research delivers public benefit: we want our research to be engaged with widely, and used to inform public debate and policymaking.

### Building our reputation and raising profile

Over the past year we have strengthened our external communications capacity and capability, and as a result have seen an increase in NatCen Social Research’s media profile. The British Social Attitudes survey remains our most impactful piece of research in terms of the NatCen Social Research brand, and we are making the survey work harder for us than ever before. Over the past year we have published two British Social Attitudes reports, bringing the publication of the report forward in order to close the gap between field work and publication: we published our 30th report in September 2013 and our 31st nine months later in June 2014. As we have now come to expect, both reports received a huge amount of media attention across national and regional papers and broadcasters, including The Today Programme and Newsnight, plus multiple front page broadsheet stories besides.

We have been keen that the survey is more than a once-a-year-moment in between the publication of the reports and so this year we have published small modules of questions on topical issues to create debate and feed into policy thinking. For example, in January 2014, to coincide with the removal of restrictions on immigration to Britain for Romanian and Bulgarian nationals, we published British Social Attitudes statistics on attitudes to immigration alongside a high profile BBC documentary on the issue. The documentary was watched by 1.4 million viewers and findings were discussed on Question Time, made the front page of the Daily Telegraph and both the BBC’s flagship television news programmes, the Six O’Clock and Ten O’Clock News. In May we published some statistics with The Sunday Times on pride in Britain and in June with the Guardian on attitudes to racial prejudice which generated

a great deal of media interest and there was widespread discussion on traditional and social media channels by broadcasters, politicians, academics and researchers.

We are also making more of our other research and our researchers' ability to analyse a variety of datasets, both by using it to engage directly in the policy making process, as described below, as well as through the media and via our social media channels. Just a few examples include our analysis of the Living Cost and Food Survey for the Sunday Times; the findings of our Modern Fatherhood project being the main topic of discussion on ITV's Loose Women; and our Stop it Now evaluation featuring on Radio 1 Newsbeat. In addition, our Chief Executive, Penny Young, has authored opinion pieces discussing our research for the likes of The Sunday Times, The Independent, Huffington Post and in the Research press.

### **Influencing the development of public policy**

Our health surveys, in particular, are an essential source of information for policymakers and health campaigners. The Health Surveys for England and Scotland provide invaluable information on issues such as child obesity and gambling and support evidence-based decisions about the nation's health. The National Diet and Nutrition Survey has been instrumental in demonstrating the amount of sugar in the British diet, an issue of increasing concern to health campaigners. NatSal (the National Survey of Sexual Attitudes and Lifestyles), the UK's main source of data in this area, was published in November 2013 to huge media and research interest. We collect the data for this very important study which is widely used in sexual health policy and practice.

It is far from simple to prove the direct link between research and policy. This is recognised by funding bodies like the ESRC and HEFCE, who increasingly consider 'pathways to impact' including media coverage. Even so, we can show many examples of where it is clear that policymakers have been listening to our findings:

- Our review of research evidence around fuel poverty for the Department of Energy

and Climate Change was used as the main supporting document for the Government's consultation on its new fuel poverty strategy. In the strategy DECC highlighted evidence gaps identified by our review as a significant problem and proposed new research to address it.

- We undertook an evaluation of the Lucy Faithful Foundation's Stop it Now helpline aimed at helping child sex offenders. The EU-funded study produced a toolkit for how to set up a successful helpline and was launched in Parliament with a Home Office Minister.
- Using Scottish Social Attitudes data, researchers in ScotCen Social Research have been working with the Scottish Institute for Policing Research to provide evidence to the Scottish Justice Committee on the extent to which public confidence has been affected by last year's introduction of a single national police force in Scotland.
- Our research into public attitudes towards the Gaelic language is being used by Bòrd na Gàidhlig, the organisation responsible for formulating a National Strategy for Gaelic Education and advising Ministers on Gaelic Education.
- Our ESRC-funded Modern Fatherhood project has generated significant media coverage and researchers have presented their findings at several academic conferences and to the Government Departments for Business, Innovation and Skills, and Work and Pensions.
- Researchers presented findings from our evaluation of the Public Sector Equality Duty and the British Social Attitudes survey to a Liberal Democrat policy group, including Equalities Minister, Jo Swinson.
- We have presented findings from a number of studies to Members of the UK and European Parliaments both on an individual basis and through our programme of events.

## Creating wider impact

A significant element of our impact strategy over the past year has been the creation of our new website. Launched in October, the website is easier to navigate, and is designed to work on mobile phones and tablets as well as desktop computers. It brings NatCen Social Research's digital presence squarely up to date with the 21st century and offers new opportunities for engaging with our different audience groups. For example, we've created a dedicated area for participants, where we help potential participants understand why our studies are important in a way that is engaging, focuses on the usefulness of the research we do and uses language that is easy to understand. There is a dedicated area setting out our policy and methods expertise, using case studies of work we've done to bring this expertise to life. And we have also taken our use of multimedia content on the site (i.e. videos and animation) to the next level, presenting our findings and expertise in a way that is fresh, accessible and facilitates sharing across our social media platforms in order to raise our profile.

We recognise that our researchers can be counted amongst the experts in their respective policy and methodological fields. As well as creating impact via our study findings and their applications, we also seek to share our research expertise through NatCen Learning's training programme, formal networks and special events. This year we have been leading a ESRC-funded network for lecturers teaching quantitative methods, our ongoing international network of social researchers exploring the methodological and ethical implications of social media to their research, and an ESRC-funded knowledge exchange network for researchers working in the sight loss sector. As well as a thriving open programme of courses in research skills we have provided tailored capacity-building for, amongst others, the BBC, Department for Transport, and Financial Reporting Council, and we have partnerships with three Q-Step Centres (part of a programme designed to improve quantitative social science training in the UK) at City University, Cardiff University and the University of Edinburgh. We are also developing a programme of international master classes with

RTI International aimed at experienced research practitioners and commissioners keen to learn about cutting-edge methods. Our partnership with RTI International, an independent not-for-profit research and development institute in the United States, also includes a programme of knowledge exchange, a joint business development pipeline and next year will incorporate work to develop a joint offer in International Development (ID) research including training for ID commissioners and generation of ID research business.

As well as seeking to increase the impact of our work through our own analysis, we are also making our data available to others for their own analysis via data archives. In 2013/14, 19 data sets were deposited in the UK Data Archive and over 23,000 downloads of NatCen Social Research's datasets were made (compared to 20,000 downloads for 2012/13). 32 of our datasets were in the top 100 downloaded from the Data Archive during the year (28 in 2012/13).

We measure the impact of our work in a number of ways. As part of our client satisfaction survey we routinely seek feedback from clients on the usefulness, impact or influence that our directly-funded work has had, as well as its quality and value for money, and track our performance. In terms of our wider impact we measure this through a number of metrics, including number of hits to our website, number of mentions in the media (in the first six months of 2014 NatCen Social Research has been mentioned in the national print media one-and-a-half times more than in the whole of 2013), and the number of followers on Twitter (up from 4,000 in June 2013 to well over 7,000 by June 2014). We also measure awareness of NatCen Social Research amongst MPs as a further indicator. We saw a modest increase in politicians' awareness of NatCen Social Research in our most recent measure, and we hope to increase this further.

## Objective 2. Delivering client satisfaction

Last year we asked Management to ensure that our work is meeting the needs of clients and that we are attracting and winning new business. As an independent, not for profit organisation



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we are able to focus effort on ensuring our work is of the highest quality, that we secure high response rates, and that we are meeting clients' needs. We are willing to go the extra mile to secure higher response rates that ensure the robustness of our work, and to support the dissemination of our findings to ensure impact. Some of the analysis here is subject to commercial confidentiality and we have reflected this appropriately.

We seek feedback from our clients on our work and this year we have been pleased to hear positive feedback from new clients as well as existing ones. Our latest client satisfaction feedback highlights appreciation of our methodological skills and our focus on customer satisfaction is leading to us gaining repeat work. We are keen to do more here and are working hard to build on this positive momentum. We have begun a new initiative to ensure we are giving our clients the service that they want and we introduced measures into our client survey to tell us the extent to which clients rate our research as excellent and are likely to recommend us.

We are continuing to focus on diversifying our business and generate work from new clients and markets, including establishing new teams focused on research in new policy areas and undertaking work for new local government, third sector and commercial clients. Our programme of events and growing media profile has helped us build awareness of our work among potential new clients. To further support this goal, we have created a new Business Development and Client Relationship team to focus on and give strategic leadership to identifying new opportunities and maximising their potential.

### Objective 3. Operating as a modern business

Last year we asked Management to focus on continuing to update internal systems and processes to achieve improved efficiencies, ensuring that we are doing all we can to maximise the skills and experiences of our staff as well as the quality of our outputs and associated impacts.

A key focus of work during the year has been on our internal programme of change, which has included restructuring in key departments. Our new Research Centres harness our methodological and policy research expertise more effectively, and our reorganised Service Division provides them with more efficient and targeted support.

We continue to work to improve our processes, driven from our new Service Division, and have launched initiatives aimed at refreshing some of our key internal processes including interviewer briefings, project management and financial reporting. Our technology strategy has seen the implementation of IBM Data Collection on some studies and software upgrades for staff and interviewers. And our website now includes an engaging participant area where people who are taking part in our studies, or considering doing so, can find out more about them and ask questions and give feedback. Over the course of the year we have also retained our accreditations to the social and market research standard, ISO 20252, and the information security management standard, ISO 27001.

Participation of the public in our research is critical to its effectiveness and this has continued to be a focus for development this year. As well as the changes to our website, we have trialled and refined initiatives across studies in different policy areas and with different types of participants regarding incentives, advance letters and interviewer assignments. For example, a study for the Department for Education, called SEED, required our research team to recruit and retain more than 5,000 families with two-year-old children to a major national research study on early education. The undertaking for families was significant - those taking part were asked to take part in three, hour-long interviews in their homes over a three-year period. We created a mini-brand that highlighted to parents the impact that our research would have on education for children like theirs in the future. And we created a multiple channels through which families were encouraged to take part and to keep them updated on the progress of the study: this included a direct mail pack, website and email contact. For children, we also created a set of engaging materials and objects to leave behind,

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to engage families in the long gaps between interviews. These were designed to play a part in the child's development and education, and included a height chart, so parents and children could track their growth together, and a water bottle designed to appeal to 3-year olds starting pre-school. Our target audience was 8,000 families with two-year old children who were selected at random from Child Benefit records, with half these families drawn from the lowest income brackets. In Year 1 we exceeded our challenging recruitment target of 63% of eligible families, and are set to beat our 85% target for retention in Year 2.

Our focus on efficiencies extends to improving response rates on our most challenging studies, to ensure we are delivering the best value for our clients. On the Health Survey for England we have introduced more engaging participant materials and new incentives to encourage participation over the past few years which has helped ensure response rates stay high. We have recently been re-commissioned to deliver this study for a further four years.

#### Objective 4. Financial Sustainability

Last year we asked Management to maintain financial sustainability by growing revenue and delivering an agreed surplus.

As we outline in the introduction to this report, along with other research organisations we continued to experience the impact of a changing landscape for the social research market this year, reflected in fewer, smaller commissions that attracted greater competition. This was in turn reflected in our financial results and the decision was taken during the year to pursue a programme of organisational change including reorganisation and rationalisation alongside efficiency and cost-reduction initiatives.

The financial impact of the changed market conditions was reflected in revenues for NatCen Social Research that were significantly reduced compared to the previous year and which delivered a net deficit of £4m. This deficit is a result of a reduction in the level of business

activity delivered alongside a reduction in margins, together with substantial costs of reorganisation and rationalisation.

As Trustees we receive and scrutinise regular reports on the organisation's financial position and will continue to review Management's business plans to ensure that these are contributing to the longer-term strengthening of its balance sheet. The programme of organisational change has brought the business back into balance and, together with ongoing improvement and innovation initiatives, means the organisation is well-placed to deliver its financial and strategic priorities for the coming year. Trustees and Management are committed to delivering a modest operating surplus in the coming year, as a foundation for the organisation's longer-term financial stability. For further information on our business priorities for 2014/15, see Section 3b.

#### Objective 5. People

We asked Management to ensure our workforce remained committed and motivated, to support their development and recruit others who would expand and strengthen its skills.

During a period of organisational change this year, a core focus for Management has been our people. Although NatCen Social Research needed to implement a redundancy programme this year, its emphasis on change management processes and support for individual staff members meant that staff remained engaged and committed to the delivery of high quality research work throughout. Management will be continuing its focus on new ways of working and on NatCen Social Research's values and behaviours in the year ahead to continue to propel the business in the right direction and harness the great potential in our workforce. Changes to staff terms and conditions were made (after appropriate consultation) to align them better with the needs of the business, and will support effective working and high performance in the year ahead. We have also updated our terms and conditions and policies for our interviewers and nurses.

We have also begun implementing a new learning and development framework for freelance interviewers to help support performance and have just launched a new Learning Management System which will improve staff access to a new online platform for Learning and Development (L&D) resources and tools for career development, as well as streamline the administration of L&D at NatCen Social Research. Our staff are the key to delivering our high quality and innovative products and services and we continue to be committed to ensuring they are equipped with the business skills they need in an ever-more competitive research market, recognising their passion and dedication to deliver NatCen Social Research's mission.

### ScotCen Social Research – annual report 2013/14

Following Scottish Devolution in 1999, NatCen Social Research extended its presence north of the border and established an office in Edinburgh. In 2004, following a merger with the Scottish Health Feedback research consultancy, what was known as the Scottish Centre for Social Research was launched. Now known as ScotCen Social Research – a distinct team and brand but not legally separate from NatCen Social Research – it is one of Scotland's leading and most competitive organisations in applied social research and evaluation. ScotCen Social Research's impact and reputation has been firmly embedded into Scottish policy and its research networks.

ScotCen Social Research works across a wide range of policy areas with a particular focus and expertise in delivering impact in three areas: children and families; health; and, social attitudes (with particular emphasis on September's Scottish referendum on independence). Its clients include the Scottish Government, research councils, various public bodies (e.g. NHS Scotland, Food Standards Agency Scotland) and other third-sector and charitable foundations.

The success of ScotCen Social Research's profile is in part a result of the highly visible

and highly respected Scottish Social Attitudes (SSA) survey which launched in 1999 as the sister survey to the long-running and renowned British Social Attitudes (BSA) survey. In its fifteenth year, Scottish Social Attitudes is now the foremost source of robust information on changing social and political attitudes in Scotland; a resource respected by government, media, academia and the public alike. It was described this year by Scotland's First Minister and leader of the SNP Alex Salmond as: "the most detailed assessment of social attitudes in the country" during a First Minister's Questions session at the Scottish Parliament.

The latest iteration of SSA focused on attitudes to Scottish independence, trust in government, mental health, and attitudes to alcohol.

Uniquely, this year we were also able to develop a comparative analysis between BSA and SSA on the constitutional future of the UK, helping to contribute to and shape the debate on both sides of the border. We are continuing to take an active role in informing this debate through the WhatScotlandThinks website, funded by the ESRC. The project has been hugely successful to date, offering regular commentary and consolidating all polling information ahead of the vote in September.

ScotCen Social Research's second major study is the Scottish Health Survey (SHeS), which we have been running on a continuous basis for the Scottish Government since 2008. The survey itself dates back to 1995; the 2012 survey was the eighth in the series. It provides an in-depth analysis of the health of the Scottish population and its findings attract considerable media, public, and political attention. The findings, released in September 2013, were accompanied by a topic report providing breakdowns of key health behaviours and outcomes by gender, age, ethnic group, religion, disability and sexual orientation. The data we collect also informs the Scottish Government National Performance Framework and feeds into nationwide health strategy. The latest iteration of the Scottish Health Survey brought with it, for the first time, questions which looked at and link gambling to health in Scotland. It also responded to the latest recommended exercise standards as set by the Scottish Government in 2011. Beyond

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this, the Food Standards Agency Scotland commissioned secondary analysis examining vitamin D levels among Scotland's adult population, analysing blood samples collected as part of the Scottish Health Survey in 2010 and 2011. This was the first significant piece of work examining vitamin D levels among Scotland's adult population.

Another flagship project at ScotCen Social Research is the Growing Up in Scotland (GUS) study, funded by the Scottish Government. This is a longitudinal cohort study following the lives of over 10,000 Scottish children and their families through the early years and into later childhood which we have been undertaking since 2005. GUS is a high-impact survey used by ministers and their advisers to monitor, evaluate and develop policy helping to improve the lives of young people and their families in Scotland. The project itself has an active engagement strategy and seeks to make the findings accessible and used in a wide range of settings, including policy, practice and academia to ensure maximum public benefit. All research and analysis is available on the dedicated GUS website and a new micro-site that encourages children to engage with the data through games and quizzes will be launched later in 2014.

Three reports were released from GUS this year. The first explores the characteristics, circumstances and experiences of first-time mothers in Scotland aged under 20 at the time of their child's birth and compares them with those of older mothers. The second is a study exploring the relationship between children's experience of pre-school provision and change in their social and cognitive development between ages 3 and 5. This report used data collected from mothers and children in the first birth cohort of GUS between 2008 and 2010 and linked it to data held by the Care Inspectorate and Education Scotland. Lastly an analysis of GUS data led by collaborators at the University of Glasgow looked at children at the age of seven and explores family and school influences on children's social and emotional well-being.

As well as these large ongoing surveys, ScotCen Social Research has also delivered a number of smaller research studies and evaluations

to understand the behaviours and attitudes of people in Scotland, and the impact of policies on their daily lives: the NHS Scotland's Child Healthy Weight programme, the Family Nurse Programme, Scotland's Children's Hearing system, and the first interim DISPLAY report on point of sale (POS) tobacco advertising.

### 3b. Looking ahead: priorities for 2014/15 and beyond

Our strategic focus continues to be two-fold: to maintain a competitive and compelling offer for clients, continuing to win and deliver sufficient business that ensures the long term sustainability of NatCen Social Research as a distinctively independent not for profit business; and, at the same time we are seeking to increase the impact of our work, both on policy and on wider research capacity and commissioning, to ensure we maximise the public benefit we offer.

Continuing to modernise the business beyond what we have achieved this year and strengthening NatCen Social Research's balance sheet over the long term is an ongoing focus. Paying down the actuarial pension scheme deficit and delivering an annual surplus therefore remain important objectives. The external market continues to be challenging in terms of reduced research spend in the public sector, and we are confident that NatCen Social Research has the reputation, expertise and product offer to respond.

## Priorities for 2014/15 and beyond

Trustees have approved the following priorities for Management in 2014/15:

- **Financial performance:** deliver agreed financial targets - including achieving a small operating surplus – and improved project performance through clearly articulated responsibilities for delivering revenue and margins and better access to quality management information
- **Business development:** deliver our sales targets for 14/15 and fill the 15/16 pipeline by retaining key studies, winning projects in new policy areas and from new funders, and developing longer term strategies for growth by team.
- **Effective Field management:** Realise the benefits of the new Field management structure to achieve efficiencies and outcome improvements, improve the efficacy and efficiency of interviewer briefings and improve the overall offer of our survey field force.
- **Project management and methods:** embed improved project management processes and continue the modernisation of our data collection methods.
- **Reputation and relationships:** continue to grow NatCen's profile and reputation in the national debate and strengthen our relationships with our stakeholders, particularly our clients and participants.
- **People:** Work with staff to embed the restructuring and realise a high performance working culture.

## 3c. Financial review

### Overview of our financial position in the 2013/14 business year

Natcen Social Research recorded income from research and educational activities during the year of £34,145k (2012/13: £41,508k). Research performed for UK Central Government continues to be the main source of revenue (62%), a level we expect to continue up to and beyond the next general election. The largest reduction in revenue relates to Higher Education Institutions as work winds down on one of NatCen Social Research's major longitudinal studies, Understanding Society.

In the light of the reduced income generation, the Trustees agreed a major reorganisation and rationalisation of the organisation. This was undertaken to harness our methodological and policy research expertise more effectively. Our reorganised Service Division provides the new Research Centres with more efficient and targeted support, which in turn has enabled greater focus on and accountability for costs. In addition, the restructuring reduces the cost base of the organisation to a level consistent with the lower level of revenue achieved in 2013/14. A total of 84 staff left the organisation during the reorganisation including 44 through redundancies – 14 of which had departure dates after 30 June 2014. The total cost of the reorganisation and rationalisation has been included as an exceptional item in the Statement of Financial Activities because it encompasses, and materially affects, a substantial part of NatCen Social Research's business.

As a result of the reduction in revenue, NatCen Social Research reported a net loss of £4,244k in the year to 30 June 2014 (2012/13: £765k surplus). Total resources expended before reorganisation and rationalisation of £37,354k (2012/13: £40,801k) includes expenditure on charitable activities of £37,134k (2012/13: £40,551k) and governance costs of £220k (2012/13: £250k). The loss recorded includes the exceptional reorganisation and rationalisation costs of £1,062k as explained above.

Liquidity, unrestricted and freely available undesignated cash assets reduced only slightly to £5,165k (2012/13: £5,528k) reflecting improved debtor collection processes, increased deferred revenue and offset by continued investment to modernise further our computer software, including new sampling and data collection software which enable innovative methods of increasing efficiency on large scale research projects. With the inclusion of unrestricted designated funds exclusive of the pension deficit, net assets decreased to £8,061k (2012/13: £12,753k) reflecting the operating loss during the year.

NatCen Social Research continues to carry a defined benefit pension scheme deficit that is subject to large fluctuations beyond its control arising from annual FRS 17 valuations. This has previously net assets/ (liabilities) positions of: (£7,336k) at 30 June 2010, £615k at 30 June 2011, (£3,737k) at 30 June 2012 and £5,754k at 30 June 2013. The most recent balance sheet position of (£3,578k) is driven by the FRS 17 valuation at 30 June 2014 that increased the scheme's deficit from £7,000k to £11,639k. The Trustees have considered this position with the Pension Scheme Trustees and remain content that the strategy to reduce the pension scheme deficit is financially sustainable.

NatCen Social Research's future business revenue remains good at £55m of contractual commitments from research funders already stretching out to 2020 - £31m of which relates to 2014/15.

## Reserves

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 every three years. We have carried out such a review in November 2014, and the policy reflects our current thinking.

The reserves policy is set out fully in the Accounting Policy notes on page 36. Trustees consider it desirable to hold free reserves equating to two months operating cashflow.

At 30 June 2014 we held free reserves of £2.5m (equating to 0.79 months based on the previous year's spend, (2013 - £7.4m, equating to 2.2 months). The free reserves at 30 June 2014 are below target, and we plan to rebuild reserves in coming years. Based on our business plan for 2014-15, free reserves equate to 0.92 months operating expenditure. The recent restructure of the organisation was designed to improve our efficiency and we aim to reach the desired level over a three year period.

## Investment management

The Memorandum and Articles of Association of NatCen Social Research authorise the Trustees to make and hold investments using the general funds of the charity. Surplus funds are held on deposit in accordance with a treasury policy that is reviewed annually by the Trustees. A revised treasury policy was agreed in May 2012 and adopts an active and prudent approach to investment management that minimises exposure to market risk and provides for short-term liquidity requirements as a priority over return on capital.

## Property

NatCen Social Research holds a single freehold property asset at Northampton Square in London. It is accounted for at current value based on a full valuation every five years (most recently undertaken in March 2013), an interim valuation in the third year after the full valuation, and adjusted for impairment where appropriate. No impairment has been required since the most recent valuation.

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## 3d. Risk management

As Trustees we recognise our responsibility for the oversight of the risks NatCen Social Research faces. During the year we have reviewed the risk register to ensure that all the key risks facing the organisation have been identified, that their likelihood and impact have been appropriately assessed and controls to mitigate these are in place.

Day to day management of risks is delegated to the Chief Executive and Senior Management Team. Risks are identified by the Senior Management Team during the regular reviews of the risk register and through the course of business.

NatCen Social Research contracts an Internal Audit provider (until July 2014 this was an employee role and is now externally contracted) to provide the Trustees and Management with assurance on internal control. An audit plan is developed based on the risk register and the Internal Auditor's analysis of need. This plan is approved by the Audit Committee annually. Reports are issued at the end of each assignment and reviewed by the Senior Management Team, including agreeing actions to improve controls as necessary. The Internal Audit provider gives an opinion on the quality of internal control found during each audit and these are collated in an annual opinion on internal control for Trustees. The Internal Audit provider's independence is maintained by a direct reporting line to the Chair of the Audit Committee.

The Audit Committee routinely meets with risk sponsors to better understand the key operational, financial and reputational risks in different parts of the organisation, and the practical application of risk mitigation by key staff across the business to satisfy itself that risk management processes are working effectively.

The risk register currently identifies 19 risks. Of these, four are significant in terms of potential impact and probability.

The first risk concerns ongoing uncertainties about the size of our core market given the economic environment, including the impact of increased market competition. An action plan is in place to manage this by sizing the business to the known revenue, and continuing to diversify both in terms of the range of clients we work with and the nature of our offer, and to identify additional revenue opportunities.

The second risk is also externally focused on the market, and concerns the activities of our competitors in the field of new technologies and methodologies and the potential impact on our business. We are actively taking steps to address this risk through our work to diversify the business, in terms of our clients and our offer, and through investment in new technologies to maintain our current offer at the forefront of developments. The reorganisation of the Research function into two focused Centres has strengthened our methodological offer and will provide opportunities for further methodological advances in the future.

The third risk concerns the defined benefit pension scheme deficit. NatCen Social Research regards this as a long-term risk and is committed to a long-term plan that will address the funding shortfall. Action has been taken to address the past service deficit highlighted in the 2011 triennial actuarial valuation by agreeing increased payments into the scheme to 2023. Changes were also made to the pension scheme in 2010 to reduce the ongoing cost of the scheme by increasing contributions and reducing benefits for existing members, and by closing the scheme to new members. Nonetheless the liability continues to impact on the level of free reserves and a number of external and non-controllable factors such as investment returns and scheme members' longevity continue to impact on this risk and are kept under careful review. The next triennial valuation is due in late 2014.

The fourth risk concerns the risk to the quality of our output given the ongoing challenges we face, along with others in the industry, in encouraging people to participate in our research. If response rates fall significantly then the representativeness of the sample is called into question, even where

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weighting is applied. This risk is being actively managed through an increased focus here on initiatives to engage existing and potential participants in our work, and to maximise performance and response among our field force of skilled interviewers.



**Trustees'  
statement  
of their  
responsibilities**  
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**4.**

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The Trustees, who are also directors of the National Centre for Social Research for the purposes of company law, are responsible for preparing the Trustees' Report, Strategic Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (UK Generally Accepted Accounting Practice).

Company law requires Trustees to prepare financial statements for each financial year that give a true and fair view of the state of the 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 adequate accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006, 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.

In so 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 (incorporating the strategic report) was approved by the Trustees in their capacity as Directors and signed on their behalf by Professor Sir Robert Burgess, Chair of the Trustees.**



**Date:** 3<sup>rd</sup> December 2014

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

**5.**

We have audited the financial statements of NatCen Social Research for the year ended 30 June 2014 on pages 30 to 53. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

### Respective responsibilities of Trustees and auditor

As explained more fully in the Statement of Trustees' responsibilities set out on page 21, 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.

We have been appointed auditors 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.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing

Practices Board's (APB's) Ethical Standards for Auditors.

### Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at <http://www.frc.org.uk/auditscopeukprivate>

### Opinion on financial statements

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 2014 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).

### Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Trustees' Report and the incorporated Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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## Matters on which we are required to report by exception

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) requires us to report to you if, in our opinion:

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

HANNAH CATCHPOOL (Senior Statutory Auditor)  
For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor  
Chartered Accountants  
25 Farringdon Street  
London  
EC4A 4AB

*Baker Tilly UK Audit LLP*

**Date:** 12<sup>th</sup> December 2014

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

# **Financial statements**

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# **6.**

## Statement of financial activities including the summary income and expenditure account for the year ended 30 June 2014

	Notes	2014 £	2013 £
<b>Incoming Resources</b>			
Incoming Resources from Generated Funds:			
Investment Income		26,574	57,628
Incoming Resources from Charitable Activities:			
Income from Research Studies	2	34,144,894	41,508,021
<b>Total Incoming Resources</b>		<b>34,171,468</b>	<b>41,565,649</b>
<b>Resources Expended</b>			
Charitable Activities:			
Research Studies	3	37,133,968	40,551,125
Exceptional item: reorganisation and rationalisation	3	1,061,797	-
		<u>38,195,765</u>	<u>40,551,125</u>
Governance Costs	3	<u>219,969</u>	<u>249,649</u>
<b>Total Resources Expended</b>		<b>38,415,734</b>	<b>40,800,774</b>
<b>Net (outgoing)/ incoming resources before other recognised gains and losses</b>		<b>(4,244,266)</b>	<b>764,875</b>
<b>Other recognised Gains and Losses</b>			
Revaluation of Property	6	-	1,475,129
Actuarial Gains/(losses) on Defined Benefit Pension Scheme	15	(5,087,120)	7,250,504
<b>Net Movement in Funds</b>		<b>(9,331,386)</b>	<b>9,490,508</b>
<b>Reconciliation of Funds</b>			
Fund Balances Brought Forward	10	<u>5,753,618</u>	<u>(3,736,890)</u>
Fund Balances Carried Forward	10	<u>(3,577,768)</u>	<u>5,753,618</u>

All amounts relate to continuing activities.

## Balance Sheet as at 30 June 2014

	Notes	2014 £	2014 £	2013 £	2013 £
<b>Fixed Assets</b>					
Tangible Fixed Assets	6		5,527,880		5,311,396
<b>Current Assets</b>					
Stocks and work in progress	7	52,655		-	
Debtors	8	6,003,810		7,569,352	
Cash at bank and in hand		5,165,413		5,527,536	
		<u>11,221,878</u>		<u>13,096,888</u>	
<b>Creditors: Amounts falling due within one year</b>	9	<u>(8,688,438)</u>		<u>(5,655,023)</u>	
<b>Net Current Assets</b>			<u>2,533,400</u>		<u>7,441,865</u>
<b>Net Assets excluding pension liability</b>			8,061,320		12,753,261
<b>Defined benefit Pension Scheme Liability</b>	15		<u>(11,639,088)</u>		<u>(6,999,643)</u>
<b>Net (liabilities)/ assets including pension scheme liability</b>			<u>(3,577,768)</u>		<u>5,753,618</u>
<b>Unrestricted Funds</b>					
General Fund	11	4,561,320		9,253,261	
<b>Designated Funds</b>					
Property Fund	11	<u>3,500,000</u>		<u>3,500,000</u>	
			8,061,320		12,753,261
<b>Pension Reserve</b>	15		(11,639,088)		(6,999,643)
			<u>(3,577,768)</u>		<u>5,753,618</u>

Approved and authorised for issue by the Trustees and signed on their behalf by:



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

**Date:** 3<sup>rd</sup> December 2014



## Cash flow statement for the year ended 30 June 2014

	Notes	2014 £	2014 £	2013 £	2013 £
<b>Net cash inflow/ (outflow) from operating activities</b>			498,710		(3,528,020)
<b>Returns on investments and servicing of finance</b>					
Bank interest received	A	26,574		57,628	
Finance lease interest	A	<u>(1,891)</u>		<u>(1,891)</u>	
			24,683		55,737
<b>Capital Expenditure and Financial Investment</b>					
Cost of purchasing tangible fixed assets	6		(852,796)		(1,128,677)
Disposal Receipts			-		278
<b>Financing</b>					
Capital element of finance lease repayments			<u>(16,360)</u>		<u>(20,344)</u>
<b>(Decrease)/Increase in Cash</b>			<u>(345,763)</u>		<u>(4,621,026)</u>

## Notes to the cash flow statement for the year ended 30 June 2014

A	2014			2013
Reconciliation of operating surplus to net cash inflow/(outflow) from operating activities	£			£
Net (outgoing)/ incoming resources before other recognised gains and losses	(4,244,266)			764,875
Loss on disposal of fixed assets	1,293			873
Finance charges paid	1,891			1,891
Interest received	(26,574)			(57,628)
Repayments on finance lease	16,360			20,344
Depreciation charges	517,617			589,266
(Increase)/decrease in stocks	(52,655)			-
Decrease/(increase) in debtors & prepayments	1,565,542			(40,881)
Increase/(decrease) in creditors	3,167,177			(4,518,907)
FRS17 pension cost less contributions payable (Note 15)	(632,618)			(556,038)
FRS17 pension finance cost (Note 15)	184,943			268,185
<b>Net cash inflow/(outflow) from operating activities</b>	<b>498,710</b>			<b>(3,528,020)</b>
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B	2014			2013
Reconciliation of Net Cash flow to movement in Net Debt	£			£
Decrease in cash in the year	(345,763)			(4,621,026)
Movement in net funds in the year	(345,763)			(4,621,026)
Net Funds at 1 July	5,511,176			10,132,202
<b>Net Funds at 30 June</b>	<b>5,165,413</b>			<b>5,511,176</b>
<hr/>				
C	At 1 July 2013	Cashflows	At 1 July 2014	
Analysis of changes in net funds	£	£	£	
<i>Net Cash</i>				
Cash at Bank and in Hand	5,527,536	(362,123)	5,165,413	
Finance Lease	(16,360)	16,360	-	
	5,511,176	(345,763)	5,165,413	

Included in net incoming resources before other recognised gains and losses is £1,062k in relation to the exceptional restructuring and reorganisation in the year to 30 June 2014.

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# Notes to the financial statements for the year ended 30 June 2014

## 1. Accounting policies

### Basis of accounting

These financial statements are prepared on a going concern basis under the historical cost convention modified by the revaluation of certain tangible fixed assets and in accordance with the Charity Commission's 'Accounting and Reporting by Charities: Statement of Recommended Practice 2005 (SORP 05)' and the Companies Act 2006. The adoption of going concern principles is made in full acknowledgement of the net liability position at 30 June 2014.

### Going concern

By virtue of its defined benefit pension scheme deficit which can introduce a position of technical balance sheet insolvency, Trustees review the company's going concern position on a quarterly basis looking ahead over 18 months on a rolling basis. The review assesses a management-produced report that describes business liquidity (cashflow, current assets and current liabilities) and solvency (pension deficit, annual operating surplus, and future work booked) and forms an opinion on whether NatCen Social Research's trading status as a going concern remains legitimate. The going concern assessment specifically considered the benefit from the recent reorganisation as well as the pipelines of signed contracts for 2014/15 and 2015/16. The most recent review performed has considered the going concern position for at least the 12 months following the date of signing of these financial statements. The Trustees have concluded that NatCen Social Research is a going concern.

### Incoming resources

In respect of recognising income the following policies are adopted:

**Project income.** Project income, whether derived from contracts or government grants and net of VAT where applicable, is recognised on an accruals basis. This matches income with costs incurred and satisfies the requirements of both performance and rights to consideration. 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.

**Education.** Income from educational training activities conducted by NatCen Learning for third parties is recognised on an accruals basis based on the contractual obligation of the service arrangement. Any surplus on educational activities is retained for the continuance and improvement of such activities.

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## Resources expended

In respect of recognising expenditure the following policies are adopted:

**Respondent incentives.** Respondents are given cash and voucher incentives for survey participation. At the point at which the incentive is provided to the respondent, an expense is recorded against the project and income from that is then generated. Where NatCen Social Research is able to reclaim un-cashed vouchers, the expense is reduced based on an estimate of historical encashment rates.

**Finance leases.** The present value of any item leased under finance lease terms is recognised concurrently in the balance sheet as an asset and liability over the contractual repayment period.

**Operating leases.** Rental payments for operating leases are charged to expenditure on an accruals basis based on the contractual obligations of the service arrangement.

**Charitable activity expenditure.** All expenditure not attributable to the cost of charity governance or directly to restructuring is classified in the Statement of Financial Activities as research studies.

**Governance costs.** The Statement of Financial Activities includes charity governance costs that are defined as:

- 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.

**Support costs.** NatCen Social Research apportions support costs to its principal outputs based on proportionate revenue for the period after taking into account the allocation of governance costs.

## Reserves

**Unrestricted Funds** can be used on the charitable objects as the Trustees see fit, and are further subdivided into **designated funds**, earmarked for a particular purpose by the trustees, and **general funds**, monies available to spend at the discretion of the Trustees in furtherance of the charitable objectives.

**Free reserves** are defined as the general fund less tangible fixed assets not already represented by separate designated funds, before the FRS17 pension liability.

NatCen holds **no restricted funds**; any unspent grant monies held are disclosed as deferred income.

NatCen's only designated fund is £3.5m (2013 £3.5m) held in respect of the revaluation of our property on Northampton Square.

Trustees remain mindful of the long term nature of the FRS17 pension scheme liabilities, and that the need to pay a high level of deficit contributions each year impacts on operating cashflow. Trustees

are confident that the charity can meet contributions from projected future income without significant impact on its planned levels of charitable activity, and thus not designated funds to meet future pension commitments in line with Charity Commission recommendations. (More detail of the defined benefit pension scheme is set out in note 15 to the accounts, "Retirement benefit schemes").

The nature of NatCen's income is that monies are received as work progresses on research projects; reserves are held to provide working capital to cover fluctuations in cashflow. Based on this, Trustees consider it desirable to hold free reserves equating to two months operating cashflow.

## Assets

**Capitalisation.** Assets are recorded and treated in their entirety as functional fixed assets and are capitalised where they exceed £5,000 in cost as single or grouped assets.

**Depreciation.** Depreciation of fixed assets has been provided for on a non-componentised basis at annual rates which should consume the economic benefit of the assets over their useful lives. Fixed asset impairment reviews are conducted by management when changes in circumstances indicate that impairment may have occurred in accordance with FRS 11 Impairment of Fixed Assets and Goodwill, with the asset written-down if a material difference exists between the carrying value and the recoverable amount.

Freehold property	Recorded at value in use based on a full valuation every five years, an interim valuation in the third year after the full valuation, and annual impairment reviews. No annual depreciation is charged due to its annual and cumulative affect being immaterial based on the estimated high residual value of this asset.
Fixtures, fittings and non-electronic equipment	Costs spread equally over 10 years from date of installation.
Computers, software and electronic equipment	Costs spread equally over 5 years from date of installation.

**Foreign currency.** Income and expenditure in foreign currencies are recorded in Sterling at the exchange rate applicable at the time of the cash transaction. Any outstanding balances at the end of the annual accounting period are translated at the closing rate.

**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.

**Taxation.** NatCen Social Research 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 Social Research 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.

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**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.

Actuarial gains and losses arising are recognised immediately in other recognised gains and losses in the Statement of Financial Activities.

Past service costs are recognised as an expense on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits have already vested, the cost is recognised immediately in resources expended.

The amount recognised in the balance sheet represents the present value of the defined benefit obligation, adjusted for unrecognised past service costs, and reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to the lower of the asset and any unrecognised past service cost plus the present value of available refunds or reductions in future contributions to the plan.

The rate used to discount the benefit obligations is based on market yields for high quality corporate bonds with terms and currencies consistent with those of the benefit obligations.

Gains and losses on curtailments and settlements are recognised 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 contribution 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.

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## 2. Income from research studies

Project income relates to research funding from which all specific project costs and other expenditure is financed. NatCen Social Research receives no donations, payments in kind or core funding towards the general pursuit of its charitable aims.

<b>Research Income Arose from the Following Sources:</b>	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
UK Public Sector – Central Government	21,191,221	23,210,053
UK Public Sector – Devolved Administrations	3,992,085	4,623,644
UK Research and Funding Councils	466,272	1,368,851
UK Public Sector – Other	565,155	482,882
Universities	5,168,765	10,363,855
Third Sector	1,105,421	772,192
European Union	79,623	34,772
Other	1,576,352	651,772
<b>Total Income from Research Studies</b>	<b>34,144,894</b>	<b>41,508,021</b>

A foreign exchange loss of £1,661 has been recognised in FY 2013/14 (2012/13: loss of £2,269).

### 3. Resources expended

	Direct Costs £	2014 Total £	2013 Total £
<i>Charitable Activities</i>			
Carrying out Research Studies	29,083,942	36,393,287	39,452,598
Disseminating Research Results	354,621	399,144	437,990
Improving Capacity of Research Community	-	341,537	421,177
Restructuring costs	-	-	239,360
	29,438,563	37,133,968	40,551,125
Research Studies	29,438,563	37,133,968	40,551,125
Governance costs <sup>(i)</sup>	-	219,969	249,649
	29,438,563	37,353,937	40,800,774

#### (i) Governance of the charity

	2014 £	2013 £
10% of staff costs who are engaged in governance activity	35,878	33,831
Direct costs of all governance activities	119,981	103,727
2% of overhead costs pertinent to governance activities	64,110	112,091
	219,969	249,649

#### Exceptional item: reorganisation and rationalisation

	2014 £	2013 £
Exceptional item: reorganisation and rationalisation	1,061,797	-

**Exceptional item: reorganisation and rationalisation.** In the light of the reduced income generation, the Board of Trustees agreed to undertake a major reorganisation and rationalisation of the organisation. This action was undertaken to produce a more effective research offering reflecting the different natures of our face-to-face survey work relative to the qualitative based policy research activity. To increase focus on the cost of operations, we have reformed the operations and field teams to enable greater focus on and accountability for costs. In addition, the restructuring reduces the cost base of the organisation to a level consistent with the lower level of revenue achieved in 2013/14. A total of 84 staff left the organisation during the reorganisation including 44 through redundancies – 14 of which had departure dates after 30 June 2014. The total cost of the reorganisation and rationalisation has been included as an exceptional item in the Statement of Financial Activities because it encompasses, and materially affects, a substantial part of NatCen Social Research's business.



**Support costs.** NatCen Social Research apportions its main business support costs to its two principal outputs, namely the delivery of research projects and research education based on proportionate revenue for the period and after taking into account the allocation to governance costs noted above:

<b>Support costs as at 30 June 2014</b>	<b>Cost</b>	<b>Delivery of research projects</b>	<b>Delivery of research education</b>
	£	£	£
Management	499,823	496,377	3,445
Marketing & Comms	1,073,144	1,065,067	8,077
Facilities	1,904,853	1,890,998	13,855
Human Resources	1,167,645	1,159,227	8,418
Finance	1,498,740	1,487,944	10,796
IT	1,771,169	1,757,838	13,331
<b>Total</b>	<b>7,915,374</b>	<b>7,857,451</b>	<b>57,922</b>

<b>Support costs as at 30 June 2013</b>	<b>Cost</b>	<b>Delivery of research projects</b>	<b>Delivery of research education</b>
	£	£	£
Management	289,597	287,647	1,950
Marketing & Comms	1,165,024	1,157,180	7,844
Facilities	3,442,865	3,419,685	23,181
Human Resources	1,301,123	1,292,362	8,760
Finance	2,378,507	2,362,502	16,005
IT	1,463,396	1,453,543	9,853
<b>Total</b>	<b>10,040,512</b>	<b>9,972,919</b>	<b>67,593</b>

<b>Net (outgoing)/ incoming resources are stated after charging:</b>	<b>2014</b>	<b>2013</b>
	£	£
Fees payable to charity's auditors for audit of charity's annual accounts		
- in relation to the audit of 2013-14	29,000	-
- in relation to the audit of 2012-13	11,205	28,000
Fees payable to charity's auditors for non-audit work	875	14,000
Depreciation - owned assets	517,618	589,266
Loss on asset disposal	1,293	873
Operating lease rentals		
- land and buildings	729,786	925,000
- other	4,028	-

## 4. Staff costs

	2014 £	2013 £
<i>Wages &amp; Salaries</i>		
Direct Employees	10,248,170	9,817,643
Temporary, Freelance and Casual Workers	7,321,238	7,539,173
<i>Social Security Costs</i>		
Direct Employees	911,032	866,453
Temporary, Freelance and Casual Workers	323,272	366,798
Other Pension Costs	1,552,914	1,941,925
	<u>20,356,626</u>	<u>20,531,992</u>

<b>The average number of employees during the year was as follows:</b>	2014	2013
<i>Direct Employees</i>		
Research	124	117
Operations	79	74
Other Support	93	96
	<u>296</u>	<u>287</u>

*NatCen Social Research employed 244 full-time equivalent staff at 30 June 2014 (30 June 2013: 282)*

<b>Temporary, freelance and casual workers</b>	2014	2013
Research and data collection	1,001	1148

<b>The number of higher paid employees was as follows:</b>	2014	2013
<i>Taxable emoluments band</i>		
£60,000 - £69,999	8	10
£70,000 - £79,999	5	6
£80,000 - £89,999	1	4
£90,000 - £99,999	1	-
£100,000 - £109,999	1	-
£150,000 - £159,999	-	1
£160,000 - £169,999	1	-
	<u>17</u>	<u>21</u>

In respect of employees in the above bandings, 8 (2012/13: 11) accrued benefits under defined benefit pension schemes and payments to 8 members of defined contributions schemes totalled £30,839 (2012/13: 3 members, £11,274).

The cost of the reorganisation and rationalisation exercise in the year to 30 June 2014 amounted to £1,061,797 and is excluded in this note. A restructuring in the year to 30 June 2013 of £239,360 is also excluded from this note.

The Trustees received no remuneration or retirement benefits during this year or in the previous year for their work.

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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 £9,704 (2013: £7,425).

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 11 Trustees reimbursed this year amounted to £1,534 (2013: 9 Trustees reimbursed £3,487).

### Trustee Transactions

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

#### Professor Sir Robert Burgess:

- University of Leicester (Vice Chancellor): Payments totalling £20,000 to the University for work undertaken by staff at the University on a research project.
- British Sociological Association (BSA) (Hon. Vice President): Payments totalling £785 to the BSA for NatCen Social Research staff conference attendance.

#### Dr Jennifer Dixon:

- Imperial College (Visiting Professor, honorary and unpaid): NatCen received £750 from the University for the provision of teaching services to University staff.
- London School of Hygiene and Tropical Medicine (Visiting Professor, honorary and unpaid): NatCen Social Research received £314,680 for research undertaken on two research studies. Invoices of £213,452 are due to be raised for these studies after year-end.

#### Dr Jennifer Dixon and Nick Deyes

- London School of Economics and Political Science/LSE Enterprises Ltd (Jennifer Dixon: Visiting Professor, honorary and unpaid; Nick Deyes: IT Director): NatCen Social Research received £124,500 for research undertaken on three research studies. Invoices of £9,577 are due to be raised for these studies after year-end. In addition, payments of £4,000 were made to the University by NatCen Social Research for work undertaken by the University on a research project.

#### Steve Egan and Paul Wiles:

- Higher Education Funding Council for England (Steve Egan: Deputy Chief Executive; Paul Wiles: Deputy Chair, Main Panel C, HEFCE REF Panel): NatCen Social Research received £136,364 for work undertaken on a research study.

## Professor Paul Wiles:

- Food Standards Agency (Board member): NatGen Social Research received £71,608 in relation to research undertaken on two research studies.

In addition, Alan Botterill is a Trustee of the Defined Benefit Pension Scheme. Although no payments have been made for this additional activity during the year, it is a recognised conflict of interest that is actively managed during the course of Trustee business by the early identification of potential areas of conflict and taking any necessary actions to manage this.

## 6. Tangible fixed assets

	Freehold land & property	Computers, software & electronic equipment	Fixtures, fittings & non-electronic equipment	Finance lease	Assets under construction	Total
	£	£	£	£	£	£
<b>Cost or Valuation</b>						
At 1 July 2013	3,500,000	4,904,014	2,193,948	91,214	11,160	10,700,336
Transfer	-	455,171	-	-	(455,171)	-
Additions	-	144,599	-	-	590,795	735,394
Disposals	-	(100,923)	-	(91,214)	-	(192,137)
At 30 June 2014	3,500,000	5,402,861	2,193,948	-	146,784	11,243,593
<b>Depreciation</b>						
At 1 July 2013	-	3,283,905	2,013,821	91,214	-	5,388,940
Charge for the year	-	469,022	48,595	-	-	517,617
Disposals	-	(99,630)	-	(91,214)	-	(190,844)
At 30 June 2014	-	3,283,905	2,062,416	-	-	5,715,713
<b>Net Book Value</b>						
At 30 June 2014	3,500,000	1,749,564	131,532	-	146,784	5,527,880
At 30 June 2013	3,500,000	1,620,109	180,127	-	11,160	5,311,396

A valuation of 35 Northampton Square was conducted as at 14 March 2013 by David Todd of Strutt & Parker, a Fellow of the Royal Institute of Chartered Surveyors (RICS) and a registered RICS valuer. An interim valuation will be conducted on or before 14 March 2016, and the next full valuation is due by 14 March 2018.

## 7. Stocks and work in progress

	2014 £	2013 £
Stocks	52,655	-

The value of stock relates to items held to be used as respondent incentives.

## 8. Debtors and prepayments

	2014 £	2013 £
Trade Debtors	2,002,125	3,041,488
Project Accrued Income	3,023,815	4,053,063
Other Debtors	362,109	165,502
Prepayments	615,761	309,299
	<u>6,003,810</u>	<u>7,569,352</u>

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

	2014 £	2013 £
Trade Creditors	1,089,157	565,217
Project Deferred Income*	3,242,939	1,959,561
Tax and Social Security	415,720	405,968
Accruals	3,408,822	2,578,107
Finance Lease	14 -	16,361
Other Liabilities	531,800	129,809
	<u>8,688,438</u>	<u>5,655,023</u>

Project deferred income refers to work that has been paid for by clients in advance of its completion; accordingly this work is not recognised as income until it has been performed.

* Project Deferred Income	2013 £	2012 £
At 1 July	1,959,561	5,836,531
Deferred During the Year	5,618,565	2,857,739
Released to the Income Statement	(4,335,187)	(6,734,709)
At 30 June	3,242,939	1,959,561

Project deferred income refers to work that has been paid for by clients in advance of its completion; accordingly this work is not recognised as income until it has been performed.

## 10. Funds

Unrestricted Funds	Balance at 1 July 2013 £	Incoming resources £	Outgoing resources £	Transfers, gains and revaluations £	Balance at 30 June 2014 £
General Fund	9,253,261	34,171,468	(38,863,409)	-	4,561,320
Designated Fund: Property	3,500,000	-	-	-	3,500,000
Pension Reserve	(6,999,643)	-	447,675	(5,087,120)	(11,639,088)
	5,753,618	34,171,468	(38,415,734)	(5,087,120)	(3,577,768)

Revaluation reflecting actuarial loss on the pension deficit arising from FRS 17.

## 11. Analysis of net assets between funds

Unrestricted Funds	Fixed Assets £	Net Current Assets £	Creditors Due After 1 Year £	Total £
General Fund	2,027,880	2,533,440	-	4,561,320
Property Fund	3,500,000	-	-	3,500,000
Pension Reserve	-	-	(11,639,088)	(11,639,088)
	5,527,880	2,533,440	(11,639,088)	(3,577,768)

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## 12. Company status and membership

The company is a 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

<b>Annual amounts payable for land and buildings under operating leases expiring within:</b>	<b>2014 £</b>	<b>2013 £</b>
1 year	143,429	-
2 - 5 years	-	201,400
Over 5 years	604,312	604,312

  

<b>Annual amounts payable for other operating leases expiring within:</b>	<b>2014 £</b>	<b>2013 £</b>
1 year	-	-
2 - 5 years	22,710	-
Over 5 years	-	-

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## 14. Finance leases

	<b>Gross finance costs within:</b>		<b>Net finance costs within:</b>	
	<b>2014 £</b>	<b>2013 £</b>	<b>2014 £</b>	<b>2013 £</b>
1 year	-	16,676	-	16,361
2 - 5 years	-	-	-	-

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## 15. Retirement benefit schemes

### Overview of schemes in operation

NatCen Social Research operates two retirement benefits schemes: the first is a defined contribution scheme that was opened to new members on 1 July 2010; and the second is a defined benefit scheme which was closed to all NatCen Social Research employees at the same date. NatCen Social Research also contributed to two pension schemes following the commencement of auto enrolment.

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## 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 28 members at 30 June 2014 (2012/13: 28), and NatCen Social Research's contribution to the scheme in 2013/14 was £104,215 (2012/13: £58,580).

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 Social Research 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 79 members of staff contributing to the Scottish Widows auto-enrolment scheme at 30 June 2014 (2012/13: none) and NatCen Social Research's contribution to the scheme in 2013/14 was £35,746.

Employee and employer contributions payable on the defined contribution scheme and auto-enrolment schemes at 30 June 2014 amount to £75,532 (2012/13: £13,880).

## Defined benefit scheme

NatCen Social Research 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 are 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 opted otherwise.

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 30 June 2011 in accordance with the scheme funding requirements of the Pensions act 2004 and the funding of the scheme is agreed between NatCen Social Research 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.



This actuarial valuation showed a deficit of £10,878,000. NatCen Social Research has agreed with the Trustees that it will aim to eliminate the deficit over a period of 11 years from 30 June 2012 by the payment of annual contributions of £1,218,000 in respect of the deficit. In addition to and in accordance with the actuarial valuation, NatCen Social Research has agreed with the Trustees that it will pay 17.85% of pensionable earnings (including any member contributions) in respect of the cost of accruing benefits. NatCen Social Research 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 are made by payment of an additional 1.25% of pensionable earnings.

The next valuation is due to be received by 31 October 2014.

For the purposes of FRS17 the actuarial valuation as at 30 June 2011, which was carried out by a qualified independent actuary, has been updated on an approximate basis to 30 June 2014.

Employee and employer contributions payable on the defined benefit scheme at 30 June 2014 amounts to £85,018 (2012/13: £97,413).

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

	30 June 2014 £	30 June 2013 £	30 June 2012 £
Fair value of scheme assets	48,314,433	44,208,559	38,111,607
Present value of scheme liabilities	59,953,521	51,208,202	52,649,786
Deficit in scheme	(11,639,088)	(6,999,643)	(14,538,179)
Liability to be recognised	(11,639,088)	(6,999,643)	(14,538,179)

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

A further measure of the scheme liabilities is the solvency basis, often taken as an estimate of the cost of buying out the benefits at the balance sheet date with a suitable insurer. This amount represents the amount that would be required to settle the scheme liabilities rather than NatCen Social Research continuing to fund the ongoing liabilities of the scheme. The estimated value of liabilities prepared for the Trustees of the pension scheme as at 30 June 2011 was £71,498,000 compared with assets at the same date of £35,264,000.

## Reconciliation of opening and closing balances of the present value of the scheme liabilities

	30 June 2014 £	30 June 2013 £
Scheme liabilities at start of period	51,208,202	52,649,786
Current service cost	1,552,582	1,634,947
Expenses	135,712	221,469
Interest cost	2,532,820	2,242,071
Contributions by scheme participants	33,550	33,750
Actuarial losses/(gains)	6,253,262	(3,932,010)
Benefits paid, death in service premiums & expenses	(1,762,607)	(1,641,811)
<b>Scheme liabilities at end of period</b>	<b>59,953,521</b>	<b>51,208,202</b>

## Reconciliation of opening and closing balances of the fair value of scheme assets

	30 June 2014 £	30 June 2013 £
Fair value of scheme assets at start of period	44,208,559	38,111,607
Expected return on scheme assets	2,347,877	1,973,529
Actuarial gains	1,166,142	3,317,673
Contributions by NatCen Social Research	2,320,912	2,413,811
Contributions by scheme participants	33,550	33,750
Benefits paid, death in service premiums & expenses	(1,762,607)	(1,641,811)
<b>Fair value of scheme assets at end of year</b>	<b>48,314,433</b>	<b>44,207,952</b>

The actual return on the scheme assets over the period ending 30 June 2014 was £3,514,019.

## Total expense recognised in the Statement of Financial Activities

	30 June 2014 £	30 June 2013 £
Current service cost	1,552,582	1,634,947
Expenses	135,712	221,469
Interest cost	2,532,820	2,242,071
Expected return on scheme assets	(2,347,877)	(1,973,529)
<b>Total Expense Recognised in Profit and Loss Account</b>	<b>1,873,237</b>	<b>2,124,958</b>

## Statement of other recognised gains and losses

	30 June 2014 £	30 June 2013 £
Difference between expected and actual return on scheme assets – gain/(loss)	1,166,142	3,317,673
Experience gains and losses arising on the scheme liabilities – gain/(loss)	5,133	35,873
Effects of changes in the demographic and financial assumptions underlying the present value of the scheme liabilities – gain/(loss)	(6,258,395)	3,896,137
<b>Total amount recognised in statement of total recognised gains and losses – gain/(loss)</b>	<b>(5,087,120)</b>	<b>7,249,683</b>

The cumulative amount of actuarial gains and losses recognised in other recognised gains and losses since adoption of FRS17 is (£4,883,437) (a loss).

## Assets

	30 June 2014 £	30 June 2013 £	30 June 2012 £
Equity	22,423,497	20,463,179	22,643,606
Corporate Bonds	12,915,576	14,098,459	12,673,924
Cash	1,889,871	980,042	1,014,433
Property	3,170,088	2,676,911	1,779,644
Government bonds	7,915,401	5,989,968	-
<b>Total assets</b>	<b>48,314,433</b>	<b>44,208,559</b>	<b>38,111,607</b>

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

It is the policy of the Trustees and NatCen Social Research 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

	30 June 2014 % per annum	30 June 2013 % per annum	30 June 2012 % per annum
Rate of discount	4.30	4.95	4.25
Inflation (RPI)	3.40	3.35	2.75
Inflation (CPI)	2.40	2.65	2.25
Salary increases	4.40	4.35	3.75
Allowance for revaluation of deferred pensions of CPI or 5% p.a. if less	2.40	2.65	2.25
Allowance for pension in payment increases of CPI or 3% p.a. if less	n/a	2.65	2.25
Allowance for pension in payment increases of RPI or 5% p.a. if less, minimum 3% p.a.	3.70	3.55	3.25
Allowance for commutation of pension for cash at retirement cash at retirement	80% of Post A Day	80% of Post A Day	80% of Post A Day

The mortality assumptions adopted at 30 June 2014 are 100% of the standard tables S1PxA, year of birth, no age rating for males and females, projected using CMI\_2013 converging to 1.50% p.a. These imply the following life expectancies:

	Life expectancy at age 60 (Years)
Male retiring in 2014	27.2
Female retiring in 2014	29.7
Male retiring in 2034	29.7
Female retiring in 2034	32.2

## Expected long term rates of return

The long-term expected rate of return on cash is determined by reference to UK long dated government bond yields as the balance sheet date. The long-term expected returns on government bonds and corporate bonds are determined by reference to UK long dated government and corporate bond yields at the balance sheet date respectively. The long-term expected rate of return on equities and property is based on the rate of return on bonds with an allowance for out-performance.

The expected long term rates of return applicable for each period are as follows:

	Period Commencing 01 July 2013 % per annum	Period Commencing 01 July 2012 % per annum
Equity	6.4	5.7
Corporate Bonds	4.5	4.3
Cash	2.9	2.2
Property	6.4	5.7
Government bonds	3.4	n/a
Overall for scheme	5.3	5.1

## Analysis of the sensitivity to the principal assumptions of the value of the scheme liabilities

	Change in Assumption	Change in Liabilities
Discount rate	Increase / decrease of 0.5% p.a.	Decrease / increase by 10.2%
Rate of inflation	Increase / decrease of 0.5% p.a.	Increase / decrease by 8.3%
Rate of Mortality	1 Year Increase in life expectancy	Increase by 2.7%

## Amounts for the current and previous four years

	2014 £	2013 £	2012 £	2011 £	2010 £
Fair value of scheme assets	48,314,433	44,208,559	38,111,607	35,165,775	29,547,000
Present value of scheme liabilities	59,953,521	51,208,202	52,649,786	44,557,000	46,127,000
Surplus/(deficit) in scheme	(11,639,088)	(6,999,643)	(14,538,179)	(9,391,225)	(16,580,000)
Experience adjustment on scheme assets	1,166,142	3,317,673	(1,443,471)	2,963,000	2,653,000
Experience adjustment on scheme liabilities	5,133	35,873	(805,061)	71,000	(60,000)

The best estimate of contributions to be paid by NatCen Social Research to the scheme for the period commencing 1 July 2014 is £2,275,000.

# **Legal and administrative details**

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# **7.**

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# Legal and administrative details

**Registered name:**

National Centre for Social Research

**Trading name:**

NatCen Social Research

**Legal status:**

Company limited by guarantee and registered charity

**Company registration number:**

4392418

**Charity registration number:**

1091768

**Scottish charity registration number**

SCO38454

**Registered office:**

35 Northampton Square  
London  
EC1V 0AX

**Trustees:**

Professor Sir Robert Burgess (Chair)  
Alan Botterill  
Ken Caldwell  
Nicholas Deyes  
Professor Sir Ian Diamond  
Dr Jennifer Dixon  
Steve Egan  
Barbara Noble  
James Thickett  
Professor Paul Wiles

**Chief Executive:**

Penny Young

**Auditors:**

Baker Tilly UK Audit LLP  
25 Farringdon Street  
London  
EC4A 4AB

**Internal Auditors:**

Grant Thornton UK LLP  
Grant Thornton House  
Melton Street, Euston Square  
London  
NW1 2EP

**Solicitors:**

Bates, Wells and Braithwaite  
2-6 Cannon Street  
London  
EC4M 6YH

**Bankers:**

National Westminster Bank Plc  
Cavell House  
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London  
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**NatCen**  
**Social Research that works for society**

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A Charity registered in England and  
Wales (1091768) and Scotland (SC038454)