

# **NatCen**

**Social Research** that works for society

## **Annual Report and Accounts**

**Year Ended 30 June 2019**

**NATIONAL CENTRE FOR SOCIAL RESEARCH**

**Company Registration Number: 04392418**

**Charity Registration Number: 1091768**

**Scotland Charity Registration Number: SC038454**

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

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## Legal and administrative details

<b>Registered name:</b>	National Centre for Social Research
<b>Trading name:</b>	NatGen Social Research
<b>Legal status:</b>	Company limited by guarantee and registered charity
<b>Company registration number:</b>	04392418
<b>Charity registration number:</b>	1091768
<b>Scottish charity registration number:</b>	SCO38454
<b>Registered office:</b>	35 Northampton Square London EC1V 0AX
<b>Trustees:</b>	Professor Sir Robert Burgess (Chair) Alan Botterill Barbara Noble James Thickett Maureen Duffy (resigned 16 July 2018) Dame Jil Matheson Stephen West Peter Havelock Walter Cormack Jude England Professor Sue Heath Phyllis Macfarlane (appointed 1 November 2019) Mark Duke (appointed 1 November 2019)
<b>Statutory Auditor:</b>	RSM UK Audit LLP 25 Farringdon Street London EC4A 4AB
<b>Internal Auditor:</b>	Grant Thornton UK LLP 30 Finsbury Square London EC2A 1AG
<b>Solicitor:</b>	Bates, Wells 10 Queen Street Place London EC4R 1BE
<b>Banker:</b>	National Westminster Bank Plc Cavell House 2A Charing Cross Road London WC2H 0NN

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# Chairman's Introduction

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# 1. Chairman's Introduction

As Chair of the Trustees, it is my pleasure to deliver the 2018-2019 annual report, along with audited financial statements for the year to 30 June 2019.

## **Fifty Years of Shaping Social Change**

Our charity was created as Social and Community Planning Research (SCPR) in 1969, fifty years ago, and towards the end of a decade of considerable social change.

Today, we are living through another period of social transition in the UK as we face the opportunities and consequences of demographic change, including our ageing population and our retiring "baby boomers". Concerns on social inequalities mount, for example with falling life expectancy for women in the most deprived areas. Educational opportunities have expanded while working lives are more uncertain. Our policy makers are visibly challenged by the demands and complexity of Brexit, following the EU referendum vote in 2016, as well as by issues from Climate Change to #MeToo. They need the social research community's help to make sense of our changing world and the consequences.

At the National Centre for Social Research (NatCen), we believe social research has the power to make life better. But, at a time when experts and evidence are being openly challenged, it is more important than ever for us to have seats at the right policy tables and ensure the voices of those who take part in our studies are heard by those who can make a difference. Fifty years on, we remain unique in Britain and our work and influence are easy to find. We continue to be recognised for ground breaking projects in the public policy arena on physical and mental health, children and families, work and welfare, criminal justice, equalities and problem gambling to name but a few.

Our fiftieth anniversary year has been another successful one for NatCen with numerous examples of positive impact and a strong financial performance. To mark our anniversary, we have been delivering a series of high-profile events on some of the issues that matter to policy makers, MPs, charities, academics, the national media and the public, both sharing our findings and exploring how our research can be used for public good. We have delivered the findings from this year's British Social Attitudes Survey to audiences in the House of Commons and looked at differences in children's life chances at the Roger Jowell Memorial Lecture. A special event considered the challenges that women in social sciences face and celebrated their achievements. We will launch briefings shortly on social trends in the UK, a report on the unresolved public policy issues that continue to challenge society as we head into the 2020s, and the impact of mental health and life satisfaction on educational attainment.

## **High Quality Research**

The high quality of our research is at the heart of all we do, underpinned by our strategy "Towards 2025". We want to be the first port of call for policy makers for evidence on any matters affecting our society. Our numerous stakeholders who gathered at the House of Lords to mark our 50th anniversary in April 2019 are a testament to the progress the organisation has made and the influence it has today. We conduct research across subject areas and can use all four modes of data collection approach to reach people - face-to-face, phone, online or postal - individually or in any combination. Our launch of the Methodology and Innovation Hub has put us back at the heart of methods work, enabling us to conduct web and online surveys cost effectively, run randomised controlled trials and complex evaluations, and undertake qualitative research in a range of areas such as child protection, extremism and the lives of prisoners.

We have recently announced our partnership for a fourth wave of The National Survey of Sexual Attitudes and Lifestyles (NatSal), showcasing our ability to carry out complex national data collections and interview anyone anywhere to talk about sensitive subjects. Our founders were great advocates

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of social surveys and longitudinal studies so we are excited to be conducting the next wave of the National Child Development Study, the gold standard longitudinal study started in 1958.

Our British Social Attitudes Survey and NatCen Panel continue to relay back what people are thinking to policy makers. This year alone, we have taken centre stage both in the press and in Parliament with our work on attitudes to Brexit, Common Law Marriage, same-sex civil partnerships, Shared Parental Leave, the decline of religious identity and assisted dying.

### **Financial Stability**

High quality work that has an impact on the world around us can only be achieved effectively if we have a sustainable financial model that works for NatCen. It remains reassuring to note that this is currently the case. The forward-looking business plan shows that this position will remain for the foreseeable future. Our financial performance has seen continued and planned growth this year, for the third successive year, with revenues increasing to £35 million and an operating surplus of £1.6 million before one-off service charges relating to the defined benefit pension scheme. This is a very good result for the organisation under its current Leadership Team.

Our pension deficit, in line with most schemes, has seen an increase in the current period, which requires us to book a revaluation charge in excess of £5 million against this year's results. But we retain an established and orderly long-term plan to address our pension deficit, as defined in our reserves policy, and this remains unaffected.

Looking ahead, the contract awards already made for 2019-20, which are above expectations, should help us to continue to improve our revenues and cash reserves.

### **Role of Trustees**

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

Finally, I would like to thank my Trustees for all of their input into the organisation's work, especially given they give their time freely to support NatCen, as well as congratulating the Chief Executive, leadership team and staff at NatCen for their many successes. We face the future with fresh confidence and look forward with new impetus to the next 50 years.

Professor Sir Robert Burgess  
Chairman of the Board of Trustees

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# **Structure, governance and management**

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## 2. Structure, governance and management

### Our legal structure

National Centre for Social Research (which also trades under the name “NatCen Social Research”/“NatCen”) was founded in 1969 as a registered charity governed by a Trust Deed. In July 2002, it became a company limited by guarantee (04392418) with a new charity registration number in England and Wales (1091768) and Scotland (SCO38454).

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

### Charitable objectives

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

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

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

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

We have a distinct role to play as a charity in helping to ensure that research is commissioned most effectively for the public good and is of an appropriate quality. At a time when there is more and more information available, increasingly instantaneous and of mixed quality, NatCen has an important function in promoting fit-for-purpose research that can inform and guide policy makers and influencers in making the best decisions for society. We actively engage in the Social Research Association, with Government Social Research, the Economic and Social Research Council (ESRC), and we also respond to public consultations, to improve the commissioning, conduct and use of social research.

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

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## Board of Trustees

NatCen is governed by its Board of Trustees who are also its Directors. During 2018/19 the Board comprised the following members:

- Professor Sir Robert Burgess: Chairman of the Board of Trustees and Chairman of the Nominations, Remuneration and Fundraising Committees
- Alan Botterill: Chairman of the Finance and General Purposes Committee, Member of the Remuneration Committee and Pension Scheme Trustee
- Barbara Noble: Member of the Nominations Committee.
- James Thickett: Member of the Finance and General Purposes Committee
- Maureen Duffy: Resigned 16 July 2018. Member of the Finance and General Purposes Committee
- Dame Jill Matheson: Member of the Fundraising committee
- Stephen West: Chairman of the Audit and Risk Committee and member of the Nominations Committee
- Peter Havelock: Member of the Audit and Risk and Fundraising Committees
- Walter Cormack: Member of the Audit and Risk Committee
- Jude England: Member of the Remuneration Committee
- Professor Sue Heath: Member of the Finance and General Purposes Committee

Biographies of all current Trustees are available at [www.natcen.ac.uk/about-us/people/trustee](http://www.natcen.ac.uk/about-us/people/trustee).

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

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

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

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

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

- **Audit and Risk Committee:** This Committee reviews financial reporting, the effectiveness of internal controls, risks and risk management processes. It monitors the terms of appointment and the work of both the internal and external auditors and receives and reviews audit reports. The Committee is chaired by Stephen West.

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- **Nominations Committee:** This Committee is responsible for the appointment of new Trustees and is chaired by Professor Sir Robert Burgess. This committee meets as and when required.
  - **Remuneration Committee:** This Committee approves the remuneration package of the Chief Executive, including bonuses and any other awards. This is informed by a review of his/her performance against the objectives agreed by the Board, as well as being informed by contextual information about the economy and market place. The Committee similarly agrees the remuneration for members of the Leadership Team, informed by a recommendation from the Chief Executive. This recommendation is based on an assessment of their performance against objectives and any contextual information about the market as well as average pay increases for other senior staff. The Committee is chaired by Professor Sir Robert Burgess.
  - **Finance and General Purposes Committee:** This Committee provides assurance and advice on NatCen's finances, business planning and other key issues that significantly affect the finances or general well-being of NatCen. It is chaired by Alan Botterill.
  - **Fundraising Committee.** This committee is specifically focussed on identifying, engaging and generating new sources of funds for NatCen, both from traditional charity funding sources such as donations or endowments and commercial sources such as sponsorships or membership schemes. The committee is chaired by Professor Sir Robert Burgess.

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

In addition to the above committees there is also an Investment Committee, which is a sub-committee of the Audit and Risk Committee. This new committee was approved by the Trustees in July 2019 and will sit twice a year to develop and maintain an investment strategy for the Charities cash assets to maximise return within a risk framework approved by all Trustees. The committee is chaired by the chair of the Audit and Risk Committee. The full committee is yet to be appointed and the first meeting scheduled.

The Chief Executive and Director of Finance and Business Services for NatCen are attendees of the Audit and Risk Committee and the Finance and General Purposes Committee. The Director of Finance and Business Services also attends the Investment Committee.

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

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

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## Leadership Team

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

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

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

Chief Executive	Guy Goodwin
Director of Finance and Business Services	Robert Swinchatt
Director of Data Collection and Field	Sophie Ainsby
Deputy Chief Executive and Director of Policy Research Centre	Nancy Kelley
Director of Surveys, Data and Analysis	Gillian Prior
Director of Methods	Gerry Nicolaas

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

## Key management personnel remuneration

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

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

## Our funding and resources

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

NatCen employed 258 full-time equivalent staff for the year ended 30 June 2019 (2018: 249). NatCen is organised in two Centres to further strengthen our capability to deliver quality and impactful research. Our Policy Research Centre is focused on delivering mixed method qualitative and quantitative policy research studies and evaluations, and our Survey Research Centre has expertise in large-scale and complex surveys across the full spectrum of data collection modes.

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

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

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

## Our approach to our work

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

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

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

## Auditor

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

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# Activities and public benefit

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## 3. Activities and public benefit

### How we delivered public benefit in 2018/19

#### Our approach

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

- **Producing high quality research**, using the most robust methods, and talented researchers to create the evidence that shapes policy and practice, ultimately making society better.
- **Communicating what we learn** about society to policymakers and practitioners so they have the best information on which to base their decisions. Activities undertaken to communicate our findings include finding speaking engagements for our staff to present this, holding events and collating evidence for parliamentary select committees
- **Reflecting what we find back to the public** so people have the information they need to make informed decisions.
- **Tackling the methodological challenges** facing quantitative and qualitative approaches to improve the quality of all social research.

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

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

#### Our achievements and performance

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

##### High quality research

One of the central ways in which NatCen has impact is as a supplier of high quality social research. We are commissioned by many customers, including Government, to collect data that makes it both possible to track the effectiveness of policies, to see where interventions are needed in areas like health and education and to evaluate the success of those interventions. In this way, our research interacts directly with the policymaking process.

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

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

As an organisation, we monitored our impact over 2018-19 and collected impact case studies, a selection of which appear below.

### Impact case study - 1

## Post-18 choice of part-time study

**What we did:** Commissioned by the Department for Education, our research into post-18 choice of part-time study aimed to assess the level of demand for education within the British population, particularly from prospective part-time and mature students, including how they made choices about qualifications and levels, and the barriers and enablers, which informed those decisions. We did this through adopting a mixed-methods approach, combining two surveys and follow-up in-depth telephone interviews.

**What we found:** Our report has three main findings. Firstly, there is a real thirst for knowledge in the British population. Indeed, we found that nearly a third of our sample had considered or started studying for a new qualification in the previous five years. Those 'prospective learners' were more numerous among females; young people; those in employment; those with caring responsibilities; those with higher current household incomes; and those who had a parent or partner with a degree. Secondly, post-18 education is primarily driven by professional ambitions, such as getting a new job, a pay rise or a promotion. Thirdly, the take-up of post-18 education is undermined or prevented by all types of study costs, for example course fees, living costs and the costs of equipment and travel related to study. Unsurprisingly, respondents with lower household income were more likely to consider costs an obstacle.

**What happened next:** Our analysis of how prospective learners perceive study costs was picked up by the independent panel report on the Review of Post-18 Education and Funding, published in May 2019. A few days later, the Prime Minister announced her intention to restore higher education maintenance grants and to cap tuition fees.

### Impact case study - 2

## The Mental Health of Children and Young People

The Mental Health of Children and Young People Survey 2017 (MHCYP) is the third in a national series which provides England's official National Statistics on trends in child mental health. It is the first survey of children and young people to focus on mental health since 2004. It was commissioned by NHS Digital, with funding from the Department of Health and Social Care. The research was carried out by us alongside the Office for National Statistics (ONS) and YouthInMind.

**What we did:** Through face- to- face and self-completion questionnaires with parents, children and young people aged 11 to 19 and teachers of children aged 5 to 16, we aimed to provide updated estimates of the prevalence of mental disorders in England. The detailed and comprehensive Development and Well-Being Assessment (DAWBA) was used to assess a range of mental health conditions, including emotional, hyperactivity, behavioural and less common disorders, like autism. After interviews had been completed, trained clinical raters reviewed the data collected to assess for a range of mental disorders for each participant.

**What we found:** We found that one in eight (12.8%) 5 to 19 year olds had at least one mental disorder with emotional disorders being the most prevalent type of disorder experienced by this age group (8.1%). While this type of disorder has become more common in 5 to 15 year olds, increasing from 4.3% in 1999 and 3.9% in 2004 to 5.8% in 2017, other disorders e.g. behavioural hyperactivity, have remained stable in the same time period. Young women emerged as a high-risk group in our study.

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Nearly one in four (23.9%) 17 to 19 year old women had a mental disorder and 22.4% had an emotional disorder.

**What happened next:** The findings were published in November 2018 with a report on the NHS Digital website and presented at a press briefing organised by NHS Digital in Central London. Our Research Director Katharine Sadler was one of the panellists fielding questions by renowned journalists from the likes of The Times, Guardian and The Daily Telegraph. The study was published in a wide range of local, national and online publications, reaching an estimated audience of over nine million people. The survey has been, and will be, used for a range of policy purposes, given the unique insights it gives into both diagnosed and undiagnosed mental health. For example, Matthew Hancock, Secretary of State for Health and Social Care, referenced the survey in response to a Parliamentary Question about the level of demand for mental health services for young people.

### Impact case study - 3

## British Social Attitudes (BSA) Survey 36 - Common Law Marriage

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

**What we did:** The 2018 British Social Attitudes survey consists of 3,879 interviews with a representative, random probability sample of adults in Britain. Interviews were carried out between July and October 2018. The overall BSA 36 report was released in July 2019. Some data was made public ahead of this date to maximise impact, such as the common law marriage data question. This was asked of 2,105 respondents in England and Wales by our field interviewers and was commissioned by the University of Exeter. The question was funded by the ESRC Impact Accelerator Rapid Response Award.

**What we found:** Our data show that almost half of people in England and Wales mistakenly believe that unmarried couples who live together have a common law marriage and enjoy the same rights as couples that are legally married. This is particularly the case when children come into the equation, with 55% of households with children thinking that common law marriage exists compared to only 41% of households without any children. We also found that cohabiting couples are just as likely as married couples to believe in common law marriage (both 48%). In contrast, singles were the most clued up group with only 39% saying so.

**What happened next:** Our findings received a tremendous amount of interest from broadcast outlets; over 240 mentions were achieved in segments by LBC, Sky Radio, Talk Radio, SplashFM, BBC GSN and BBC Radio Four, with the latter interviewing our spokesperson, Professor Anne Barlow from the University of Exeter, on their early morning programme. Anne was also interviewed by Sky News which ran a package of our findings. In addition, news articles were published by Sky News Online, The Times, The I, Family Law, Grazia and Metro. The data was also cited by Lord Marks in the debate for the second reading of the Cohabitation Rights Bill in March and referenced in a House of Common Debate on Marriage and Civil Partnership: Minimum Age, with a focus on the dramatic shift in British society's opinions on marriage and changing norms about formal and informal unions.

### Communicating and reflecting back to the public

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

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Our research almost invariably requires some cooperation from the British public. They take part in our surveys. They are the teachers or students in our education evaluations and the users of the Government programme we want to understand. They give us an extraordinary amount of information about their daily lives; for example, filling in our diaries with what they eat and what they are doing. They let us weigh them, measure their children and take their blood. We feel an obligation, therefore, to reflect back to the public what we find out about them, especially on the issues that affect them directly.

One of the main ways that we do this is through the media. This year, NatCen has been mentioned in 3,378 articles, with 260 mentions in national newspapers or on their websites. Our social media channels have been improved this year with new 50th anniversary banners on Facebook, LinkedIn and Twitter. Our Twitter following has reached 17,000. The most popular tweet was announcing our BSA 35 launch in July 2018, with 49,000 tweet impressions. In second place, with 40,000 impressions, was coverage of April's Women and Social Science event. Our key launch tweet from April's 50th anniversary event in Parliament received 36,000 tweet impressions.

The NatCen website had 177,597 visitors and 13,455 report downloads over the year. The website for the British Social Attitudes Survey had 90,000 visitors and 28,749 report downloads, which is more than double than for all our other reports combined.

#### **Impact case study - 4**

### **Brexit - British Social Attitudes (BSA) and Panel data**

**What we did:** The Brexit BSA 36 chapter alongside new NatCen Panel research on the topic was released in March 2019 ahead of the overall BSA 36 publication. While both reports aimed to examine how public opinion has evolved during the Brexit process, the BSA data aimed to compare the position now with what it was before the EU referendum took place. Meanwhile, the panel data looked at how voters' expectations of what Brexit should contain had evolved during the previous two years, how their view of the consequences of leaving had changed, how well they thought the Brexit negotiations had been handled, and what they thought of the 'deal' that was agreed between the UK Government and the EU and subsequently rejected by Parliament.

The NatCen Panel consisted of 2,654 interviews with a representative sample of adults in Britain who have previously taken part in the British Social Attitudes survey. Fieldwork was carried out between 24 January and 17 February 2019. Interviews took place either online or by telephone. The research was funded by the Economic and Social Research Council as part of the UK in a Changing Europe programme. The 2018 British Social Attitudes survey consisted of 3,879 face-to-face interviews with a representative, random sample of adults in Britain.

**What we found:** The analysis revealed significant shifts in attitudes to the Government's handling of the Brexit negotiation process. Only 7% of Brits thought that the UK Government had been handling the negotiations well. In contrast, a clear majority of Leave voters (80%) and Remain voters (85%) believed the Government was handling Britain's exit badly. Almost two-thirds (63%) said that Britain was set for a bad deal, up from 37% in 2017, with Leavers and Remainers almost equally as likely to think the deal would be bad (66% and 64%, respectively).

**What happened next:** Professor Sir John Curtice launched the survey findings during a breakfast briefing event at the House of Commons. Fraser Nelson, editor of *The Spectator*, responded to the findings with an analysis of what our research means for the Brexit process and party politics. The event was attended by a selective audience of over 70 representatives from Parliament, media, opinion formers and commentators. Notable guests included Will Obeney, Senior Policy Advisor in the Treasury; John Preet, Political Editor at the *Economist*; Tim Loughton, Former Children and Health Minister; Lauren Probert, Principal Research Officer at the Government Equalities Office, and Alp Mehmet, Vice Chairman at Migration Watch UK.

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We also did a string of broadcast interviews, with Professor Curtice discussing all things Brexit on BBC Breakfast, 5 Live, Channel 4 News, Euronews, ITV Border, BBC World Service and BBC regionals. Our research also received good coverage across nationals. The Guardian, Financial Times, Economist, Evening Standard, Daily Mail, Huffington Post, The Daily Express, The Scotsman, Reuters, New Statesman, The Sun, Independent Online and Daily Mirror all covered our findings. In addition, we wrote opinion pieces for The Times, Daily Telegraph and BBC News Online. The following day our data was cited within the first few minutes of Prime Minister's Questions by the Scottish National Party's Stewart Hosie MP. Valerie Vaz, Shadow Leader of the House Commons, also referenced our data in a discussion about how the Government is handling Brexit.

On the day of publication, the NatCen Twitter account made over 60,000 impressions, which is six times more than an average day. This included an infographic tweet about how well people think the Government is handling Brexit, receiving 40 retweets, 28 likes and 11,370 impressions alone. Top mentions included a tweet about Britain's future in Europe from Sky News Political Editor Faisal Islam, which received over 5,600 retweets and 6,500 likes.

### **Impact case study - 5**

## **Health Survey for England (HSE)**

The Health Survey for England (HSE) is an annual survey, commissioned by NHS Digital, looking at changes in the health and lifestyles of people all over the country. Each survey is based on core questions, covering general health; hypertension and diabetes; social care; health-related behaviours, including smoking and drinking alcohol; and measurements such as blood pressure, height and weight measurements and analysis of blood and saliva samples. It is the main source of information for the Government about the nation's health and funded by NHS Digital.

**What we did:** To monitor trends in the nation's health and care, we used a multi-stage, stratified, random probability sample designed to be representative of the population living in private households in England. The most recent HSE focused on the association between parent and child obesity, adult multiple risk factors and diabetes. It consists of an interview, followed by a nurse visit who takes measurements and blood and saliva samples. Adults and children aged 13 to 15 were interviewed in person, and parents of children aged 0 to 12 answered on behalf of their children for many topics. 5,196 adults and 1,195 children had a nurse visit.

**What we found:** The majority of adults (64%) in England in 2017 were overweight or obese. Men were more likely to be overweight (but not obese) than women, but women were more likely to be obese. 30% of children aged 2 to 15 in England were overweight or obese, including 17% who were obese with boys and girls equally likely to be overweight or obese. Most children who were overweight but not obese were described as about the right weight by their mothers (90%) and fathers (87%). Around half of parents of obese children (47% of mothers and 52% of fathers) also said their child was about the right weight.

**What happened next:** Our dedicated Health Survey for England has seen 12,819 visitors since publication. Research Directors Liz Fuller and Anne Conolly served as our spokespeople during the official press launch hosted by NHS Digital. Attended by health editors from top-tier media, the findings also made a splash across national media including BBC News Online, The Daily Telegraph, The Guardian, The Times, Independent Online, Daily Mail and The Evening Standard. It also marked Anne's broadcast debut, discussing children and obesity on BBC Radio 4 – You and Yours.

Anne has since presented HSE 2017 findings at a number of conferences and seminars, including the annual Department for Health and Social Care HSE seminar and European Survey Research Association's biannual conference in Zagreb. She also co-organised the Health Studies User

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Conference with the UK Data Service. This included several papers using HSE, including our own presentation using HSE 2017.

Stephen Brine MP, former Parliamentary Under-Secretary for Health and Social Care, signposted Eleanor Smith MP to the Health Survey for England data in response to her parliamentary question on the number of obese people in England.

### **Impact case study - 6**

## **Enhancing Diversity in Policing**

**What we did:** We informed a strategy and toolkit - Enhancing Diversity in Policing - on behalf of the Police Transformation Fund and led by the National Police Chief Council (NPCC) to assist police forces attract and retain more people from “under-represented” groups. The research sought to better understand the evidence on how diversity is enhanced (or could be enhanced) across recruitment, retention, progression and service delivery and community engagement in policing. The toolkit is part of a broader strategy that aims to make policing more diverse and inclusive and build confidence with groups who historically have lower levels of trust in policing.

**What we found:** By conducting a landscape review exploring current policies embedded within UK policing diversity strategies, a Rapid Evidence Assessment (REA) and an external review, we found that community awareness campaigns for careers in policing, which often encouraged applications from “under-represented” groups, were perceived to be effective. While practical measures to enhance diversity can be helped and driven by national initiatives, increased educational requirements for entry into policing may affect “under-represented” groups disproportionately. We recommended several measures to overcome existing barriers for diversity and inclusion such as training, representative mentors, workforce statistics and reconsideration of entry requirements.

**What happened next:** The research supported and informed the development of a new diversity strategy and toolkit for police forces. Now used in practice, it helps make policing more inclusive, attracting and keeping new officers from all groups in society. Our project won the Research Award at the Global Equality & Diversity Conference in November and the toolkit launch was covered by national and trade media.

Research lead Jeffrey DeMarco presented the findings at the National Police Chief Council and Police and Crime Commissioner Annual conference at the College of Policing to a wide range of policing stakeholders from across the 43 police forces. He also participated in a panel on the importance of equality in fair and just policing for the Criminal Justice Alliance.

### **Tackling methodological challenges**

At NatCen, we have a reputation for methodological leadership and expertise and our innovative approach to research has benefits to the wider research community both in Britain and internationally. Our researchers developed the now widely used framework approach to qualitative research and have written key academic texts on research methodology. We have been behind the creation of some of the most ground-breaking and, sometimes, controversial research in the UK, including the National Study of Sexual Attitudes and Lifestyles and the first study of gambling prevalence.

During the year, we have launched our Methodology and Innovation Hub which brings together our methodological work in one place and extends further our national and international reputation for high quality and excellence in methods.

Our talented staff continue to focus on delivering the highest quality research to meet real world needs. We seek to innovate, using cutting edge methods and solutions to break new ground in social

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research. We also continue to need to focus both our methodology and operational capability on the key challenges of delivering good response rates and a seamless multimode capability.

### **Measuring our impact**

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

- 1) Customer satisfaction - are our customers happy with the quality of our research?
- 2) Policy or other impact - where our research has interacted with the policy making process;
- 3) Impact with the public - either directly or through the media.

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

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## ScotCen Social Research

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

It has been a busy year for the Growing Up in Scotland (GUS) study, with the publication of three reports on obesity, language development and life aged 12. The findings have been shared on a truly global scale. There have been international presentations in Milan at the Society for Longitudinal and Lifecourse Studies Conference and at a Growing Up in Ireland conference in Dublin. The team have discussed and promoted international collaborative work with similar studies to GUS in New Zealand and the Republic of Ireland, where researchers are seeking to harmonise data between the different projects, comparing the circumstances and outcomes of children from these different countries.

The team have also been working on a methodological project with the Fatherhood Institute to scope optimum methods for recruiting and retaining separated birth fathers in longitudinal studies. The Economic and Social Research Council funded project emerged from their recent Longitudinal Strategy and this is one of three such NatCen methodological projects. All will be highly relevant for the design and development of new cohort studies and future waves of existing studies.

The ScotCen team, along with Senior Research Fellow Professor Sir John Curtice, have been funded by the ESRC to continue their work under the UK in a Changing Europe Initiative for a further three years. This will include continued provision of the What UK Thinks and What Scotland Thinks websites - incorporating re-development of the What UK Thinks website to improve functionality and user experience - alongside the collection of attitudinal data via the Scottish Social Attitudes Survey, BSA and Panel. Findings from the project will continue to be shared via analysis papers, blog posts, seminars and other events.

We are also delighted to have secured funding to run Scottish Social Attitudes (SSA) in 2019. This is predominantly collecting data for the Scottish Government on attitudes to the economy, standards of living and public services, attitudes to violence against women, and attitudes towards household finances and tax. This year SSA- and therefore Scotland- will participate in the International Social Survey Programme for the first time. Funded by the ESRC for three years, the ISSP presents a fantastic opportunity for cross-country analysis. This year's topic is social inequalities - highly relevant to much of current Scottish Government policy priorities. Future topics are health and environment, both key Scottish social issues.

Other notable projects in the last year include: the second phase of the Scottish Study of Early Learning and Childcare; qualitative research to inform Cancer Research UK's youth obesity policy survey; a study of the impact of gambling marketing on young and vulnerable people for GambleAware; Scottish Sentencing Council projects on driving and sexual offences; qualitative work on attitudes to sentencing and a collaborative project with Action for Children funded by the Big Lottery to inform the development of youth homelessness interventions.

### Impact case study - 7

#### DISPLAY

The Determining the Impact of Smoking Point-of-sale Legislation Among Youth (DISPLAY) Study is an National Institute for Health Research (NIHR) grant-funded project, led by Professor Sally Haw at the University of Stirling. It involved five years of data collection by ScotCen in partnership with the Universities of Edinburgh, Stirling and St Andrews between 2013-17. The project was set up to evaluate the impact of the ban on point-of-sale tobacco promotions, but also conducted research into

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young people's views and use of e-cigarettes and standardised tobacco packs. The final report was submitted to NIHR in December 2018.

**What we did:** ScotCen, in collaboration with Edinburgh University, conducted 16 focus groups with 14 and 16 year olds in four study schools on an annual basis between 2013-17. The groups addressed issues such as views of tobacco marketing, point-of-sale displays, smoking and e-cigarette use and social contexts.

**What we found:** There have been numerous findings over the whole DISPLAY study, including a decrease in tobacco brand awareness among young people when the ban was implemented in small shops in 2015, high retailer compliance and widespread support for the point-of-sale ban. Our qualitative work also demonstrated that there were emerging social norms in relation to e-cigarettes among young people that were influencing their use.

**What happened next:** DISPLAY study findings have received a great deal of interest internationally. Presentations were given at the 17th World Conference on Tobacco or Health (WCTOH) in Cape Town in 2018. So far over 13 articles have been published in high quality journals.

Presentations and debriefs have been given to tobacco control and public health professionals within the UK and internationally. Andy MacGregor presented at the Faculty of Public Health conference in Peebles on findings from the study: Emerging e-cigarette social norms among young people. The team also gave presentations to the tobacco control team at the Scottish Government, The Scottish Tobacco-free Alliance and the Faculty of Public Health Annual conference.

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# Financial Review

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## 4. Financial Review

### Overview

2018/19 was the second year of the business plan year approved by the Trustees in 2017 with a three-year plan to generate operational surplus in excess of the annual pension deficit reduction contributions which restarted in April 2019.

The financial targets are updated each year with a revised rolling three-year plan which is now projected to the 2021/22 financial year and more than meets the minimum targets of surplus in excess of pension deficit reduction payments. The latest three-year plan was approved by Trustees in July 2019.

As the prior year had significantly exceeded the original plan delivering a surplus of £1,251k against a target of £700k the target for 2018/19 was increased to £1,308k.

Total income in the period grew by 5% on 2017/18, down on the 8% growth targeted however this is still a notable achievement in a crowded market and was driven by increasing policy research work underpinning our strategic aim of growing income through diversifying our work and client base.

During the year 2018/19 NatCen generated total incoming resources of £34,891k up from £33,361k in 2017/18. Of this £34,872k (2017/18: £33,357k) was from charitable activities, with a further £19k (2017/18: £5k) from investment income. Research carried out for UK Central Government continues to be the main source of income totalling 72% of total income in 2018/19 (72% in 2017/18).

Total expenditure during the year was £33,555k (2017/18: £32,111k) all of which related to research studies. This resulted in net income for the year of £1,336k (2017/18 £1,251k).

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

The charity's freehold London properties were valued on an "Existing Use" basis by Messrs Strutt & Parker in July 2015 and were revalued upwards. The Trustees have reviewed the carrying value of the properties and concluded no impairment or re-valuation as at 30 June 2019 was necessary. The next valuation is due to take place in 2020 as per our accounting policy.

The charity suffered from an actuarial loss on its defined benefit pension scheme of £5,097k in the year (2017/18: £3,374k actuarial gain) which is also included in the statement of financial activities on page 37. We have an established long-term plan in place to address our pension deficit as defined in our reserves policy and more detail on the actuarial movements can be found in the going concern and pension notes.

The overall net movement in funds in 2018/19 was a decrease of £3,761k (2017/18: increase of £4,625k).

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## Balance Sheet and Reserves

Net assets before the pension scheme liability increased to £12,385k at June 2019 from £10,334k at June 2018. The pension liability increased in the year to £26,986k (2018: £21,174k). NatCen's net liabilities, including the pension scheme liability increased to £14,601k (2018: £10,840k).

## Going Concern

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

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

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

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

	£K
2011:	(9,391)
2012:	(14,538)
2013:	(7,000)
2014:	(11,639)
2015:	(13,880)
2016:	(23,910)
2017:	(23,785)
2018:	(21,174)
2019:	(26,986)

The pension scheme liability is very sensitive to a number of assumptions used in the calculation of the liability but equally has been left exposed by the falling returns in bond yields over recent years, something particularly exacerbated in 2016 by the market volatility experienced following the EU referendum. The most recent valuation has been heavily impacted by the continuing fall in gilt yields wiping out improved returns on the scheme assets.

The Trustees believe that the business plan to continue to deliver annual surpluses in excess of pension deficit contributions is achievable and that the holiday from pension deficit contributions has allowed NatCen to build adequate cash reserves and make the necessary investments to deliver this. As a result, the company remains able to pay its liabilities and remains a going concern.

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## Reserves

Total funds held by NatCen at 30 June 2019 were negative £14,601,168 (2018 - £10,840,106). £16,821 (2018 - £583) relates to restricted funds as at 30 June 2019. All other funds are unrestricted.

Of the total funds held by NatCen of negative £14,601,168 there is one fund materially in deficit, the Pension Reserve, which has a deficit of £26,986,469. The deficit has arisen in common with most defined benefit schemes over the last two decades due to falling future investment yields and increasing life expectancy which has left the majority of such schemes under-funded. The scheme was closed to future accrual in March 2016 in agreement with the Pension Trustees and the scheme members and an agreed contribution payment plan was put in place. As part of the closure to future accrual, it was further agreed that a payment holiday of 30 months would be taken from October 2016 to March 2019 in respect of these contributions. Payments have now resumed as of April 2019 at £1,218,000 per year with a 2% uplift in payments effective each April.

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

Free reserves are defined as the general fund less tangible fixed assets not already represented by separate designated funds (property funds of £5,980,000 including the revaluation reserve of £2,965,539), before the FRS102 pension liability.

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

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

The Trustees consider that free reserves equating to two months operating cash flow for fixed overhead (2019: £2.9 million 2018: £2.8 million) is in their opinion a reasonable initial target reserve level to mitigate any business interruption due to unforeseen events. The Trustees have set a target to grow the free reserves level to six months operating cash flow for fixed overhead over the medium term as they consider this to be the desirable position.

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

At 30 June 2019, we held positive free reserves of £4,714,895 which constitutes 3.3 months operating cash flow (2018 – positive £2,628,715, 1.9 months). The free reserves at 30 June 2019 have exceeded the initial target and we plan to continue building reserves in the coming years towards the ultimate target of 6 months. Based on our revised business plan for 2019-2022 we plan to generate sufficient surplus and positive cash flow to support both the scheduled pension scheme deficit reduction payments and future investment however the pension scheme payments will result in the free reserves growing at a slower rate than they have in the last three years.

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

Following the introduction of an investment committee a full investment policy will be developed by the committee for future introduction. Currently an interim policy has been put in place giving the Leadership Team authority to invest available cash assets in immediate access savings accounts.

## Risk Management

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

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

Key risks and mitigations identified on the risk register are:

### Going Concern/Financial Sustainability

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

The Trustees believe that the 3 year plan approved in 2017 and its annual rolling revisions with the aim of building the charity to consistently deliver an annual surplus in excess of the annual pension scheme deficit contributions from 2019/20 allied to the cash reserves built during the pension deficit contribution holiday will provide NatCen with the financial resources to deliver the plan and cover all foreseeable future obligations.

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

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

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

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

Other risks reviewed closely in the period include the UK leaving the EU and political volatility.

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## Plans for Future Periods

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

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

Cost containment remains a constant part of the organisation's working practices and is not a unique key focus area.

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

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

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

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# **Trustees' statement of responsibilities**

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## 5. Trustees' statement of responsibilities

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

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

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

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

As far as the Trustees are aware:

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

The Trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

12 November 2019



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# Independent Auditor's report

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

### Opinion

We have audited the financial statements of National Centre for Social Research (the 'charitable company') for the year ended 30 June 2019 which comprise the Statement of Financial Activities including summary income and expenditure account, the Balance Sheet, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 30 June 2019 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

### Basis for opinion

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

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

### Conclusions relating to going concern

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

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

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## Other information

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

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

We have nothing to report in this regard.

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

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

- the information given in the directors' report and the strategic report, prepared for the purposes of company law and included within the Trustees' Annual Report, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors report and the strategic report, included within the Trustees' Annual Report, have been prepared in accordance with applicable legal requirements.

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

In the light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors report and the strategic report, included within the Trustees' Annual Report.

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

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

## Responsibilities of Trustees

As explained more fully in the Statement of Trustees' responsibilities set out on page 31, the Trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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## Auditor's responsibilities for the audit of the financial statements

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

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

## Use of our report

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

RSM UK Audit LLP

Hannah Catchpool (Senior Statutory Auditor)  
For and on behalf of RSM UK AUDIT LLP, Statutory Auditor  
Chartered Accountants  
25 Farringdon Street, London, EC4A 4AB

Date 14 November 2019

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

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# Financial statements

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## 7. Financial statements

### Statement of financial activities including the summary income and expenditure account for the year ended 30 June 2019

	Notes	2019 Restricted Funds £	2019 Unrestricted Funds £	2019 Total Funds £	2018 £
<b>Income</b>					
<i>Income from charitable activities:</i>					
Income from research studies	2	282,566	34,589,429	34,871,995	33,356,731
<i>Investment income:</i>					
Interest receivable		-	18,797	18,797	4,751
<b>Total income</b>		282,566	34,608,226	34,890,792	33,361,482
<b>Expenditure</b>					
<i>Expenditure on charitable activities</i>					
Research studies	3	266,328	33,288,824	33,555,152	32,110,823
<b>Total expenditure</b>		266,328	33,288,824	33,555,152	32,110,823
<b>Net income for the year</b>		16,238	1,319,402	1,335,640	1,250,659
<b>Other recognised gains and losses</b>					
<i>Remeasurement of defined benefit pension scheme liability</i>	14	-	(5,096,702)	(5,096,702)	3,374,359
<b>Net movement in funds</b>		16,238	(3,777,300)	(3,761,062)	4,625,018
<b>Reconciliation of funds</b>					
<b>Fund balances brought forward</b>	10	583	(10,840,689)	(10,840,106)	(15,465,124)
<b>Fund balances carried forward</b>	10	16,821	(14,617,989)	(14,601,168)	(10,840,106)

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

Restricted funds in 2019 relates to grants from Forces in Mind Trust and GambleAware (2018: Forces in Mind Trust grant). All other income and expenditure in both years relates to unrestricted funds.

# Balance Sheet as at 30 June 2019

Company number: 04392418

	Notes	2019 £	2019 £	2018 £	2018 £
<b>Fixed assets</b>					
Tangible fixed assets	6		7,670,406		7,705,473
<b>Current assets</b>					
Stocks	7	542,027		649,701	
Debtors	8	9,778,847		7,419,527	
Cash at bank and in hand		<u>6,456,523</u>		<u>5,561,846</u>	
		16,777,397		13,631,074	
<b>Liabilities</b>					
Creditors: amounts falling due within one year	9	<u>(11,604,780)</u>		<u>(10,508,058)</u>	
<b>Net current assets</b>			<u>5,172,617</u>		<u>3,123,016</u>
<b>Total assets less current liabilities</b>			12,843,023		10,828,489
Creditors: amounts falling due after more than one year	9		(45,722)		(82,301)
Provisions	9		<u>(412,000)</u>		<u>(412,000)</u>
<b>Net assets excluding pension scheme liability</b>			12,385,301		10,334,188
<b>Defined benefit pension scheme liability</b>	14		<u>(26,986,469)</u>		<u>(21,174,294)</u>
<b>Net liabilities including pension scheme liability</b>			<u>(14,601,168)</u>		<u>(10,840,106)</u>
<b>The funds of the charity</b>					
<b>Unrestricted funds</b>					
General fund	10	6,388,480		4,353,605	
<b>Restricted Funds</b>	10	16,821		583	
<b>Unrestricted designated funds</b>					
Property fund (including revaluation reserve £2,965,539)	10	<u>5,980,000</u>		<u>5,980,000</u>	
			12,385,301		10,334,188
<b>Pension reserve</b>	10		<u>(26,986,469)</u>		<u>(21,174,294)</u>
<b>Total funds</b>			<u>(14,601,168)</u>		<u>(10,840,106)</u>

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The notes on pages 41 to 61 form part of these financial statements.

The financial statements on pages 37 to 61 were approved and authorised for issue by the Trustees and signed on their behalf by:

Professor Sir Robert Burgess, Chairman of the Board of Trustees

Date: 12.xi.19. R.G. Burgess

## Statement of Cash Flows for the Year Ended 30 June 2019

	Notes	2019 £	2019 £	2018 £	2018 £
<b>Cash provided by operating activities</b>	15		1,439,754		3,926,045
<b>Cash flows from investing activities</b>					
Bank interest received		18,797		4,751	
Proceeds from sale of tangible fixed assets		5,623		27,225	
Cost of purchasing tangible fixed assets		(532,918)		(823,339)	
<b>Net cash used in investing activities</b>			(508,498)		(791,363)
<b>Cash flows from financing activities</b>					
Repayments of finance lease commitments		(36,579)		(36,579)	
<b>Net cash used in financing activities</b>			<u>(36,579)</u>		<u>(36,579)</u>
<b>Increase in cash and cash equivalents in the year</b>			894,677		3,098,103
Cash and cash equivalents at the beginning of the year			<u>5,561,846</u>		<u>2,463,743</u>
Cash and cash equivalents at the end of the year			<u>6,456,523</u>		<u>5,561,846</u>

## 1. Accounting policies

### General information

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

### Basis of preparation

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) – (Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

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

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

### Key judgements and estimates

Key judgements and estimates that NatCen have made include:

The cost of the defined benefit pension plan has been determined by updating the results of the 31 March 2016 full actuarial valuation to 30 June 2019. This was carried out by a qualified actuary independent of the charity. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of the scheme, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, the management considers the market yields of AA corporate bonds consistent with the currency and term of the defined benefit obligation. The mortality rate is based on publicly available mortality tables, which uses data for UK self-administered pension schemes and allowing for expected future improvements in longevity. Future salary increases and pension increases are based on expected future inflation rates as determined by the Bank of England interest rate with a consistent term of the defined benefit obligation at the valuation date. Further details are given in Note 14.

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

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

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

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

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

### **Going concern**

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

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

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

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

### **Income recognition**

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

Income is recognised in the accounts as follows:

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

### **Expenditure recognition**

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

Expenditure is included in the accounts as follows:

- a) **Respondent incentives.** Respondents are given cash and voucher incentives for survey participation. At the point at which a fixed incentive is provided to the respondent, an expense

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

- b) **Operating leases.** Rental payments for operating leases are charged to expenditure on a straight line basis over the term of the lease.
- c) **Charitable activity expenditure.** All expenditure is classified in the Statement of Financial Activities as research studies.
- d) **Governance costs.** Governance costs are included in support costs. They include:
  - 10% of staff costs of the employees who are engaged in governance activity;
  - All direct costs for governance activities including Trustee expenses and indemnity insurance, legal, external audit and professional support costs; and
  - 2% of overhead costs pertinent to these governance activities.
- e) **Support costs.** Support costs are those functions that assist the work of the Charity but do not directly undertake charitable activities. Support costs are apportioned based on revenue between charitable activities of Policy Research and Survey Research undertaken in the year.

## Fund accounting

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

NatCen's only **designated fund** is the value of our freehold London properties. (2019 and 2018: £5,980,000).

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

## Tangible fixed assets

- a) **Capitalisation.** Tangible fixed assets are capitalised where they exceed £5,000 as single or grouped assets. With the exception of freehold property and land, tangible fixed assets are initially recorded at cost and subsequently measured at cost less depreciation and any impairment. Freehold property and land is initially recognised at cost and subsequently recorded at market value, based on a full third party valuation every five years or more frequently when the trustees judge it likely that there has been a material change in value, less any subsequent impairment. Gains and losses on valuation are recognised in the Statement of Financial Activities.

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

Freehold property and land

Land has an indefinite life and therefore no annual depreciation charge. The expected useful economic life of the freehold property results in immaterial depreciation and therefore no annual charge is made.

Leasehold improvements	Costs spread equally over 5 years from date of installation.
Fixtures, fittings and non-electronic equipment	Costs spread equally over 5-10 years from date of installation.
Computers, software and electronic equipment	Costs spread equally over 5 years from date of installation or useful life if less than 5 years
Assets under construction	No annual depreciation is charged until the asset is brought into use and transferred into the relevant asset heading above.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## 2. Income from research studies

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

	2019	2018
	£	£
Research income arose from the following sources:		
Policy Research	5,920,148	5,175,306
Survey Research	28,785,248	28,162,701
Other	166,599	18,724
	34,871,995	33,356,731

A foreign exchange loss of £1,972 has been recognised in 2019 (2018: loss of £1,297).

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

### 3. Analysis of expenditure on charitable activities

	Policy Research £	Survey Research £	2019 £	2018 £
<b><i>Charitable activities</i></b>				
Direct project costs	2,564,282	13,857,659	16,421,941	15,139,146
Indirect project costs	798,769	6,083,745	6,882,514	6,901,516
Direct research costs	1,268,639	1,205,438	2,474,077	2,064,071
Property costs	506,986	543,114	1,050,100	851,986
IT costs	108,801	528,699	637,500	718,210
Non-payroll staff costs	131,207	603,085	734,292	644,015
Depreciation	218,912	348,208	567,120	682,200
Irrecoverable VAT	11,890	57,999	69,889	62,974
Service costs	112,201	1,059,437	1,171,638	1,496,408
Support costs	603,277	2,942,804	3,546,081	3,550,297
	<hr/>	<hr/>	<hr/>	<hr/>
Total non-exceptional resources expended	<u>6,324,964</u>	<u>27,230,188</u>	<u>33,555,152</u>	<u>32,110,823</u>

## Support costs

	2019 £	2018 £
Management	218,453	257,703
Marketing & Comms	393,652	391,614
Human Resources	195,685	187,208
Finance	1,527,449	1,470,832
IT	825,793	874,338
Facilities	212,213	196,885
Governance	172,836	171,717
<b>Total</b>	<b>3,546,081</b>	<b>3,550,297</b>

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

## Net expenditure is stated after charging:

	2019 £	2018 £
Fees payable to charity's auditors for audit of annual financial statements (net of VAT)	37,850	36,750
Fees payable to charity's auditors for tax advice (net of VAT)	-	2,650
Depreciation - owned assets	528,127	643,807
Depreciation - assets under finance lease	38,993	38,993
(Profit)/loss on asset disposal	(4,758)	131,539
Operating lease rentals		
- land and buildings	662,023	590,235
- other	17,950	15,576
Stock expensed	1,261,962	893,883
Finance lease interest	3,314	3,314

## 4. Staff costs

	2019 £	2018 £
<b>Wages &amp; salaries</b>		
Direct employees	9,584,218	9,057,684
Temporary, freelance and casual workers	5,551,762	5,538,247
<b>Social security costs</b>		
Direct employees	931,019	901,908
Temporary, freelance and casual workers	224,792	220,054
<b>Pension costs</b>		
Employer's contributions to defined contribution schemes	631,698	519,161
Operating costs of the defined benefit scheme	128,118	96,022
Losses due to benefit changes of the defined benefit scheme	265,899	-
	<b>17,317,506</b>	<b>16,333,076</b>

The cost (in addition to the above) of temporary/interim staff employed through an agency or on a consultancy basis was £172,569 (2018: £87,679)

No termination payments were paid in the year (2018: £36,610) which are included in wages and salaries above.

	2019	2018
The average monthly number of employees during the year was as follows:		
<b>Direct employees</b>		
Research	148	138
Data Collection	74	73
IT	15	16
Other support including CEO	41	40
	278	267

NatCen Social Research employed 258 full-time equivalent staff during the year (2018: 249).

<b>Temporary, freelance and casual workers (average monthly)</b>		
Research and data collection	844	852

The number of higher paid employees was as follows:

	2019	2018
Taxable emoluments band		
£60,001-£70,000	9	7
£70,001-£80,000	3	3
£80,001-£90,000	-	1
£100,001-£110,000	1	-
£110,001-£120,000	-	2
£120,001-£130,000	1	-
£140,001-£150,000	-	1
£150,001-£160,000	1	-
	15	14

The total employee benefits of the key management personnel (as detailed on page 12) of the charity were £189,992 (2018: £168,587).

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## 5. Trustee insurance, expenses and related parties

Indemnity insurance for management and corporate liability providing £5m of cover (reducing to £0.25m for Employment Practices Liability cover) has been taken out on behalf of the Trustees at an annual cost of £10,254 (2018: £10,254).

No Trustees received remuneration in the year (2018: £Nil). Travel and accommodation expenditure incurred by the Trustees associated with attendance at Trustee meetings held in London during the year was reimbursed where claimed. The total expenses for 5 Trustees reimbursed this year amounted to £1,811 (2018: £2,430 – 7 Trustees).

### Trustee Transactions

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

#### James Thickett

- Member of the Market Research Society. NatCen paid £880 (2018: £264) to the Market Research Society for subscription services.

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

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

## 6. Tangible fixed assets

	Freehold land & property	Leasehold improvements	Computers, software & electronic equipment	Fixtures, fittings & non- electronic equipment	Total
	£	£	£	£	£
<b>Cost or valuation</b>					
At 1 July 2018	5,980,000	159,185	3,344,818	501,299	9,985,302
Additions	-	21,534	502,902	8,482	532,918
Disposals	-	-	(18,961)	-	(18,961)
Transfers	-	-	-	-	-
At 30 June 2019	<u>5,980,000</u>	<u>180,719</u>	<u>3,828,759</u>	<u>509,781</u>	<u>10,499,259</u>
<b>Depreciation</b>					
At 1 July 2018	-	81,108	1,884,029	314,692	2,279,829
Charge for the year	-	31,850	506,734	28,536	567,120
Disposals	-	-	(18,096)	-	(18,096)
At 30 June 2019	<u>-</u>	<u>112,958</u>	<u>2,372,667</u>	<u>343,228</u>	<u>2,828,853</u>
<b>Net book value</b>					
At 30 June 2019	<u>5,980,000</u>	<u>67,761</u>	<u>1,456,092</u>	<u>166,553</u>	<u>7,670,406</u>
At 30 June 2018	<u>5,980,000</u>	<u>78,077</u>	<u>1,460,789</u>	<u>186,607</u>	<u>7,705,473</u>

The historical cost of NatGen's freehold properties is £3,014,461. A valuation of NatGen's freehold properties (35 Northampton Square, EC1 and 14 Wyclif Street, EC1) was carried out by David Eden MRICS, of Strutt & Parker LLP in July 2015. The value assigned to the properties on an 'Existing Use basis' was £5,980,000 and a revaluation gain was recognised in the year to 30 June 2015. The Trustees believed that there was no material difference between the value of the properties in July 2015 when the revaluation was carried out and the value at 30 June 2015 when the revaluation was recognised. A valuation is due to be carried out as at 30 June 2020.

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

The carrying value of computer equipment held under a finance lease is £90,983 (2018: £129,976)

## 7. Stocks and work in progress

	2019 £	2018 £
Stocks	542,027	649,701

## 8. Debtors

	2019 £	2018 £
Trade debtors	5,270,544	4,190,927
Project accrued income	3,886,535	2,865,768
Other debtors	56,525	27,508
Prepayments	565,243	335,324
	<u>9,778,847</u>	<u>7,419,527</u>

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

	2019 £	2018 £
Trade creditors	1,907,152	1,525,622
Project deferred income *	6,113,496	4,353,128
Tax and social security	320,864	1,041,986
Accruals	3,125,713	3,458,961
Finance lease liability	36,579	36,579
Other liabilities	100,976	91,782
	<u>11,604,780</u>	<u>10,508,058</u>

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

### \* Project deferred income

	2019 £	2018 £
At 1 July	4,353,128	3,896,414
Deferred during the year	6,113,496	4,353,128
Released to the Statement of Financial Activities in the year	<u>(4,353,128)</u>	<u>(3,896,414)</u>
At 30 June	<u>6,113,496</u>	<u>4,353,128</u>

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

	2019 £	2018 £
Finance lease liability	45,722	82,301
	<u>45,722</u>	<u>82,301</u>

## Provisions

	1 July 2018 £	Charged to the statement of financial activities £	30 June 2019 £
Dilapidation provision	300,000	-	300,000
Client rebate provision	112,000	-	112,000
	<u>412,000</u>	<u>-</u>	<u>412,000</u>

The dilapidation provision relates to quoted estimated dilapidation costs for a leased office required under the current lease due to expire in May 2023. The only uncertainty as to the accuracy of the estimated cost is whether there will be additional environmental surcharges on the disposal of office equipment and furniture. The client rebate provision of £112,000 relates to potential contractual client rebates in relation to shortfalls in interview targets.

## Finance lease liability

Total minimum payments payable under finance leases which are due within:

	2019 £	2018 £
1 year	36,579	36,579
2 - 5 years	<u>45,722</u>	<u>82,301</u>
Total	<u>82,301</u>	<u>118,880</u>

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

## 10. Funds

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

	Balance at 1 July 2018	Income	Expenditure	Gains and revaluations	Balance at 30 June 2019
	£	£	£	£	£
<b>Unrestricted funds</b>					
General fund	4,353,605	34,608,226	(32,573,351)	-	6,388,480
Designated fund- property:					
at cost	3,014,461	-	-	-	3,014,461
revaluation	2,965,539	-	-	-	2,965,539
	<u>5,980,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,980,000</u>
Pension reserve	(21,174,294)	-	(715,473)	(5,096,702)	(26,986,469)
	<u>(21,174,294)</u>	<u>-</u>	<u>(715,473)</u>	<u>(5,096,702)</u>	<u>(26,986,469)</u>
Total Unrestricted	<u>(10,840,689)</u>	<u>34,608,226</u>	<u>(33,288,824)</u>	<u>(5,096,702)</u>	<u>(14,617,989)</u>
<b>Restricted Funds</b>					
	583	282,566	(266,328)	-	16,821
Total Restricted	<u>583</u>	<u>282,566</u>	<u>(266,328)</u>	<u>-</u>	<u>16,821</u>
Total Funds	<u>(10,840,106)</u>	<u>34,890,792</u>	<u>(33,555,152)</u>	<u>(5,096,702)</u>	<u>(14,601,168)</u>

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

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

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

**Movement in funds for the year ended 30 June 2018**

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

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

## 11. Analysis of net assets between funds

For the year ended 30 June 2019

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

For the year ended 30 June 2018

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

## 12. Company status and membership

The company is a private company limited by guarantee and does not have a share capital. In the event of the company being wound up, the liability of each member is limited to £1. At the year end there were 10 members.

## 13. Operating leases

Total minimum payments payable for land and buildings under operating leases due within:

	2019 £	2018 £
1 year	819,525	667,820
2 - 5 years	2,455,755	2,382,766
Over 5 years	15,895	-
<b>Total</b>	<b>3,291,175</b>	<b>3,050,586</b>

Total minimum payments payable for other operating leases due within:

	2019 £	2018 £
1 year	14,613	14,613
2 - 5 years	-	14,612
<b>Total</b>	<b>14,613</b>	<b>29,225</b>

## 14. Retirement benefit schemes

### Overview of schemes in operation

NatCen operates two retirement benefit schemes: the first is a defined contribution scheme that was opened to new members on 1 July 2010. The second is a defined benefit scheme which was closed to all new NatCen employees at the same date and all future accrual in March 2016. In addition, NatCen also contributes to two pension schemes following the commencement of auto enrolment.

### Defined contribution scheme

The defined contribution scheme is a Group Personal Pension Plan with staff contributions being invested with Scottish Widows. Employee and employer contributions are paid directly to Scottish Widows who hold the funds in a personal account for the employee. Contributions invested by Scottish Widows are invested in funds selected by the employee from a range on offer. NatCen, as the employer, contributes 7.5% of the employee's salary with employees contributing a minimum of 4%. There were 165 members at 30 June 2019 (2018: 157) The contributions payable by NatCen charged to profit or loss totalled £448,095 (2018: £419,599) of which £38,572 are included in creditors at the year end (2018: £36,213).

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

### **Auto enrolment**

To encourage greater pension savings, the Government has introduced auto enrolment. This requires employers to enrol eligible employees into a pension scheme automatically. Eligible staff and freelancers working with NatCen have been enrolled automatically from 1 October 2013. The staff scheme is operated by Scottish Widows, and the freelancer scheme is operated by The People's Pension. There were 88 members of staff contributing to the Scottish Widows auto-enrolment scheme at 30 June 2019 (2018: 87) and NatCen's contribution to the scheme in 2019 was £183,603 (2018: £99,563) of which £17,961 are included in creditors at the year end (2018: £13,965).

### **Defined benefit scheme**

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

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

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

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

The next full actuarial valuation is due to be prepared as at 31 March 2019.

For the purposes of FRS102 the actuarial valuation as at 31 March 2016, which was carried out by a qualified independent actuary, has been updated on an approximate basis to 30 June 2019.

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

	2019	2018
	£	£
Fair value of scheme assets	61,942,476	59,765,776
Present value of scheme liabilities	(88,928,945)	(80,940,070)
Deficit in scheme recognised as a liability	(26,986,469)	(21,174,294)

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

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

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

	2019	2018
	£	£
Defined benefit obligation at 1 July	80,940,070	83,314,162
Current service cost	-	-
Expenses	128,118	96,022
Interest cost	2,354,966	2,306,392
Actuarial losses/(gains)/	7,865,421	(2,786,571)
Benefits paid, death in service premiums & expenses	(2,625,529)	(1,989,935)
Past Service Cost	265,899	-
<b>Defined benefit obligation at 30 June</b>	<b>88,928,945</b>	<b>80,940,070</b>

## Changes in the fair value of the plan assets

	2019	2018
	£	£
Plan assets at 1 July	59,765,776	59,528,858
Interest income	1,729,010	1,639,065
Return on plan assets less interest income	2,768,719	587,788
Contributions by NatCen Social Research	304,500	-
Benefits paid, death in service premiums & expenses	(2,625,529)	(1,989,935)
<b>Plan assets at 30 June</b>	<b>61,942,476</b>	<b>59,765,776</b>

The actual return on the scheme assets in the year ending 30 June 2019 was £4,497,729.

## Total expense recognised in the Statement of Financial Activities

	30 June 2019	30 June 2018
	£	£
Current service cost	-	-
Expenses	128,118	96,022
Net interest cost	625,956	667,327
Past Service Cost	265,899	-
<b>Total expense recognised in the Statement of Financial Activities</b>	<b>1,019,973</b>	<b>763,349</b>

## Statement of other recognised gains and losses

	30 June 2019	30 June 2018
	£	£
Return on plan assets less interest income	2,768,719	587,788
Actuarial gains/(losses)	(7,865,421)	2,786,571
<b>Total amount recognised in other recognised gains and losses</b>	<b>(5,096,702)</b>	<b>3,374,359</b>

## Assets

	30 June 2019	30 June 2018
	£	£
Equity	51,307,289	48,456,190
Corporate Bonds	3,041,009	2,694,557
Cash	94,379	10,384
Liability Driven Investments	7,499,799	8,604,645
<b>Total assets</b>	<b>61,942,476</b>	<b>59,765,776</b>

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

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

## Assumptions

	2019 % per annum	2018 % per annum
Rate of discount	2.48	2.95
Inflation (RPI)	3.30	3.30
Inflation (CPI)	2.20	2.20
Salary increases	n/a	n/a
Allowance for revaluation of deferred pensions of CPI or 5% p.a. if less	2.20	2.20
Allowance for revaluation of deferred pensions of RPI or 5% p.a. if less	3.30	3.30
Allowance for pension in payment increases of CPI or 3% p.a. if less	2.00	2.00
Allowance for pension in payment increases of RPI or 5% p.a. if less, minimum 3% p.a.	3.70	3.70
Allowance for commutation of pension for cash at retirement	80% of Post A Day	80% of Post A Day

The mortality assumptions adopted at 30 June 2019 imply the following life expectancies:

	Life expectancy at age 60 (Years)
Male retiring in 2019	26.6
Female retiring in 2019	28.6
Male retiring in 2039	28.5
Female retiring in 2039	30.6

The best estimate of contributions to be paid by NatCen to the scheme for the year commencing 1 July 2019 is £1,224,090.

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

	2019 £	2018 £
<i>Net income for the year (as per the statement of financial activities)</i>	1,335,640	1,250,659
(Profit)/loss on disposal of fixed assets	(4,758)	131,539
Interest received	(18,797)	(4,751)
Depreciation charges	567,120	682,800
Decrease/(Increase) in stocks	107,674	(16,524)
(Increase) in debtors	(2,359,320)	(588,042)
Increase in creditors	1,096,722	1,707,015
Defined benefit pension costs (Note 14)	1,019,973	763,349
Defined benefit pension contributions payable (Note 14)	(304,500)	-
	<hr/>	<hr/>
<b>Net cash provided by operating activities</b>	<b>1,439,754</b>	<b>3,926,045</b>

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