

Report of the Trustees and financial statements

YEAR ENDED 31 MARCH 2020



 **NFER**
National Foundation for
Educational Research

Contents

Officers and members of the Board of Trustees	3
Members of the Foundation	4
Administrative details	5
Chair's Statement	6
Report of the Board of Trustees	8
Performance and achievements: delivering on our goals	10
Structure, governance and management	16
Statement of the Trustees' responsibilities	26
Independent auditor's report	27
Consolidated statement of financial activities	30
Group and Company balance sheets	31
Consolidated statement of cash flows	32
Notes to the financial statements	33

Officers and members of the Board of Trustees

President	Sir Jim Rose, CBE, FRSA
Vice President	Ms A J Shaw, MA (Hons)
Chair of Board of Trustees	Ms J L Cocking, BA (Hons) (1) (3) (4)
Treasurer	Mr N Hollister, MA (Hons), Cantab (1) (3)
Trustees	Mr I Bauckham, CBE, MA (Hons) Cantab, MA Ms F Capstick, MBA Professor M Day, BSc (Hons), PGCE, PhD Ms S Douglas, BA (QTS) Hons (1) Ms H Ghantiwala, BA (Hons), MA, Solicitor (2) Mr N Hillman, BA (Hons), PGCE, MA Mr M Keen, MA (Hons) Oxon, FCA, (1)(2)(3)(4) Mr S Macdonald, BA (Hons), Solicitor (1)(3)(4) Mr D Madoc-Jones, BA (Hons) (2) Mr C Ryan, BA (Hons), MA
Membership of committees	(1) Remuneration Committee (2) Audit Committee (3) Nominations Committee (4) Investment Committee

Members of the Foundation

At the AGM held on 28 November 2019, the Company passed a special resolution to amend the articles of association to change, inter alia, the composition of the membership whereby the serving Trustees listed above become the only members of the Company. Other changes to the articles provided that the new trustees (and therefore members) would be appointed by the Board and would serve for a maximum

of three terms of three years, nine years in total. The only exception to this rule would be for those serving in the roles of Chair, Vice Chair and Treasurer who could serve a fourth term. Provisions covering how the meetings would be conducted in the future were amended in Article 11 and the requirement for members to pay subscriptions ceased with effect from the date of the meeting.

Administrative details

for the year ended 31 March 2020

Charity name	National Foundation for Educational Research in England and Wales
Charity number	313392
Company number	00900899
Principal and registered office	The Mere, Upton Park, Slough, Berkshire SL1 2DQ
Auditor	Haysmacintyre LLP, 10 Queen Street Place, London EC4R 1AG
Bankers	National Westminster Bank plc, c/o Royal Bank of Scotland plc, (as agents) Corporate Banking, 3rd Floor, Cavell House, Charing Cross Road, London WC2H 0NN
Solicitors	Bates Wells London LLP, 10 Queen Street Place, London EC4R 1BE
Investment managers	Investec Wealth and Investment Ltd, 2 Gresham Street, London EC2V 7QP Smith & Williamson Investment Management LLP, 25 Moorgate, London EC2R 6AY

Trustees and Directors

The Trustees of the charity are the directors of the charitable company for the purposes of charity law and are referred to as the Trustees throughout this report. The Trustees serving during the year and up to the date of signature of the accounts are disclosed on page 3 of this report.

Senior Management Team

Day-to-day management of the charity is delegated to the Chief Executive, supported by the Senior Management Team. The Senior Management Team comprised:

Ms C Willis, BA (Hons), MSc (Chief Executive)

Mr R Birkett MA, (Hons), ACA (Commercial Director and Company Secretary)

Ms M Charles BSc, PGCE (Director, Research and Product Operations) (resigned 5 July 2019)

Dr L Duff PhD, MSc, BSc (Director of Research)

Mr Sanjeet Maghera, MBAe (LSE) (Chief Digital Officer from 10 August 2020)

Ms H Selden, BSc (Hons) (Interim Director, Research and Product Operations, from 24 June 2019 to 28 October 2019)

Ms M Wheeler, BA (Hons) (Director of Communications)

Mr G Woodcock, MBA, MSc, BSc (Hons) (Director of Operations, from 28 October 2019)

Chair's Statement

Lorna Cocking
Chair of the Board of Trustees

The lives of children and young people worldwide are inextricably linked to the quality of education they receive.

Our purpose is very clear. We believe that an evidence-led approach is crucial to improving outcomes for future generations everywhere.

The pages of this report are filled with examples showing how our work has impacted on policy and practice over the past twelve months.

Our researchers continue to make profound discoveries about how best children learn, whilst increasing knowledge about educational inequalities and how to address them.

We have been at the centre of creating a fairer accountability system; provided deep analysis of the issues facing the school workforce that will support teacher recruitment and retention in the future; and we have taken our expertise further and wider than ever before, improving assessment and education systems in countries around the world.

This year we continued to offer valuable insights into prominent issues in education, including delivering timely and crucial analysis around the launch of the

Government's new technical qualification in England. The breadth of our work has been central to NFER's growth, and is demonstrated across the 100 projects being delivered this year.

Increasing visibility and engagement with our findings has also been an organisational priority. It is a crucial part of our theory of change – key decision makers need to be aware of our research and insights for them to have an impact - and is an area where we continue to make significant strides.

NFER's media reach in the UK has grown rapidly in recent months – hitting national front pages and achieving over 1,000 pieces of media coverage on a single day earlier this year. This has been supported through increased levels of political and stakeholder engagement, with findings being regularly debated in Parliament and at major sector events.

Of course, none of our impact is possible without the support of our partners – in particular the schools who give their time so generously – an extremely talented workforce and the highest levels of governance and financial management.

Through the commitment, energy and professionalism of our Trustees and Executive Team, NFER remains in a strong



financial position; and at the time of writing is resilient to the short-term impact of the Covid-19 pandemic.

We are closely monitoring the longer-term impact of this devastating outbreak on our core business activities and, as with all charities, adjusting plans to reflect the likely economic challenges.

The impact of the pandemic on the learning of children and young people will be unprecedented. I am proud that NFER has made research into this area a strategic priority. We are publishing crucial research that is achieving high profile exposure and informing key decision making.

On a concluding note, next year marks 75 years since Sir Fred Clarke founded NFER back in 1946. I sincerely hope that we are in a safe and appropriate position to celebrate this landmark and connect with those who have supported us so far, as well as encouraging others to be part of our journey.

The milestone provides an ideal opportunity to reflect on the impact we have achieved to date, whilst recognising there is still much more we want to do for future generations.



Our purpose is very clear. We believe that an evidence-led approach is essential to improving outcomes for future generations everywhere.

Report of the Board of Trustees

for the year ended 31 March 2020

The Board presents this annual Trustees' report and the audited accounts for the year ended 31 March 2020 as required by the Companies Act. This report provides a full account of the activities for the year and includes the information required of the Trustees of the charity by the Charity Commission.

Governing document

The National Foundation for Educational Research in England and Wales (NFER) is a company limited by guarantee and governed by Articles of Association, last amended on 28 November 2019. It is also a charity registered with the Charity Commission for England and Wales (the Charity Commission).

Our members comprise the serving Trustees of the company. The Articles of Association were amended to this effect by special resolution on 28th November 2019.

Objectives and activities

The statutory objects of NFER, as stated in the Articles of Association, are:

- to undertake research and development in education and allied subjects for the public benefit and the publication and dissemination of the useful results thereof

- to advance education for the public benefit, in particular but not exclusively, through the provision of educational services.

In the furtherance of these objects, NFER conducts research into all aspects of education, disseminates the results of that research and exchanges education ideas and information. We also create resources based on research evidence that help to improve the quality of education.

NFER is a leading independent provider of research, assessments and related services for education, training and children's services. Our clients include government departments and agencies at international, national and local levels, which call upon NFER's range of expertise and professional services to develop and deliver education policy and practice. NFER's purpose is to provide robust, independent research and assessment services that improve education, particularly for school-aged children and young people. As a charity, the impact of our work is central to everything we do. Our work seeks to support effective policy and practice in education, both in the UK and internationally.

NFER does not carry out any fundraising activities.

The public benefits of NFER's work

The Charity Commission sets out the criteria for assessing the public benefits of research and identifies the key points that organisations with charitable status should take into account when embarking on a research project. It states that research will qualify as charitable only if:

- it is in a subject or directed towards establishing an outcome which is of value and calculated to promote in a meaningful and direct way the charity's aims and
- it is undertaken with the intention that the useful knowledge acquired as a result of the research is disseminated to the public or others to utilise or benefit from it and
- it is undertaken for the benefit of the public or a section of the public and not solely or mainly for self-interest or for private or commercial consumption.

The Charity Commission's general guidance on public benefit has been referred to when reviewing NFER's aims and when planning future activities and the Trustees are satisfied that the work carried out by the charity complies with the public benefit requirements set out by the Commission.



The Chartered College of Teaching welcomes NFER's new report, highlighting the demand for flexible working and the importance of proactive leadership in enabling flexible approaches in secondary schools.

PROFESSOR DAME ALISON PEACOCK,
CHIEF EXECUTIVE, CHARTERED
COLLEGE OF TEACHING

Expanding the use of our work

Our findings are reaching more key decision makers, informing improvements to education policy and practice

We developed our stakeholder networks

- In September, NFER and the Royal Statistical Society, brought leading figures in the field of education research together to celebrate 100 years of Randomised Control Trials. The event explored the contribution they have made to understanding what works in education, and considered how they can have more impact in improving outcomes for learners.
- Carole Willis (CEO) was invited to be part of the *NAHT School Improvement Commission*, which brought together leading educationalists and experts to consider how the government can best support all schools to improve. NFER contributed a range of evidence and insights into the Commission, including analysis from our *Teacher Voice Survey*.

We expanded the reach of our findings

- In December, NFER was proud to present the UK results of PISA – an international study assessing the knowledge and skills of 15-year-olds in reading, maths and science. NFER led the discussion on what the data reveals

about education and wellbeing in the UK and how the results can be used to inform policy and debate. On the day of releasing our results, we conducted interviews across Tier 1 print and broadcast media, prompting multiple conversations about policy and practice within the education sector.

- Our topic experts delivered keynote speeches and presentations at over 100 sector events and policy forums, including *researchED*, *Schools and Academies Show* and a series of sessions at the tenth *Festival of Education*, attended by over 3,000 sector leaders and teachers.

We continue to be regarded as a key source of robust, independent, research and expertise

- NFER's research continued to be cited in Parliament on a regular basis, including around debates on free schools, school funding and the teacher workforce.
- NFER was accepted as a member to three All Party Parliamentary Groups, which provide a platform to share our latest findings and engage with key policymakers and stakeholders.



926,487

website
page views

2M+



Twitter
impressions

92%

of stakeholders
who had read our
reports said NFER
research had an
impact on their
organisation¹

- Ben Styles (Head of our Trials Unit) was appointed to the new *What Works Trials Advice Panel*, which brings together top trialling and experimentation experts from across Government and academia to support civil servants.
- NFER was invited to submit responses to a range of Government and sector consultations, including around reforms to the Early Years Foundation Stage and the removal of Ofsted's outstanding exemption.

.....
1 NFER Stakeholder Survey 2019



The Nuffield Foundation funds only research that is both rigorous and has the potential to have an impact on people's lives through changes to policy or practice. NFER meets both these criteria... the influence of which can be seen in the government's latest teaching strategy.

JOSH HILLMAN, DIRECTOR OF EDUCATION, THE NUFFIELD FOUNDATION

Innovative assessment

We are spearheading assessment development and research, because we know the importance it has for children's learning

We designed and delivered new child-friendly assessments

- We successfully piloted the new Reception Baseline Assessment, which NFER is delivering on behalf of Department for Education. The feedback from participating schools has enabled us to create a reliable, valid and child friendly assessment, which is due to be rolled out to early adopter schools in 2020 and will focus on early mathematics, literacy, communication and language.
- For the third year in a row, we successfully delivered the National Reference Test, working with 15,000 young people and giving Ofqual the evidence it needs to improve how grade boundaries are set.

We expanded our range of high quality educational resources

- Every year, our growing range of standardised assessments for Key Stage 1 and Key Stage 2 are used by thousands of schools. This year, we added Year 6 assessments to our range, which includes extensive diagnostic guidance to help teachers identify common misconceptions. Schools using *NFER Tests* have also been benefiting from our new and free online analysis tool to help them interpret the results and inform their teaching.
- We published a trainee and early career teacher's handbook to primary assessment in England. This free guide brings together the most useful content from the NFER Assessment Hub into an easy-to-access handbook designed to supplement course materials, build knowledge and support confident assessment practice.

1 million+

pupils in England participated in our research, assessment trials and products

75,000

downloads of our free resources and classroom materials



9,000+

schools signed up to the new Reception Baseline Assessment pilot

Growing our expertise

We grew our expertise across a number of key topic areas

- We have done extensive research on T Levels and their delivery. In June we published a report that enabled evidence-based discussions within the Department for Education. We then published a further update report in December 2019, which gained national media attention and featured in a House of Commons briefing paper.
- We worked in partnership with Teacher Development Trust to conduct the first large-scale quantitative study looking at teacher autonomy and its importance for retention in England. This included insights from a practitioner focus group and a roundtable with sector leaders.

We ensured our work is driven by the challenges facing education

- We published our second annual report measuring key indicators of the teacher labour market and teachers' working conditions. The recruitment, development and retention of teachers and school leaders is a crucial underpinning for a successful education system. This year's report showed that England's school system faces a substantial challenge of ensuring there are sufficient numbers of high-quality teachers employed in schools.
- One of the key issues for the education sector is flexible working. In June we published our report, Part-time Teaching and Flexible Working in Secondary Schools, which provided unique insights into the benefits of secondary school teachers working part-time and more flexibly, and how some schools have been making this work.



The relevance of NFER's work makes it one of the most important research organisations working in education.

PETE HENSHAW, EDITOR OF SECED

Global impact

We are using our experience and skills to support education systems in other countries

- In 2019, with the support of the United Nations Educational, Scientific and Cultural Organization (UNESCO), we assisted the Rwanda Education Board (REB) to improve teaching and learning through the implementation and expansion of e-assessment.
- We are conducting an independent evaluation of a School Inspections and Improvement programme in Eastern Uganda, run by Promoting Equality in African Schools (PEAS), a non-governmental organisation. Our evaluation will provide an understanding of how the one-year pilot programme has improved management and leadership in ten government-run secondary schools, providing potential lessons for the future.

Promoting the success of the charity

Throughout the year the trustees of the charity have acted in the way they consider, in good faith, to promote the success of the charity and its charitable purpose, acting for the benefit of its stakeholders as a whole, and in doing so have had regard to:

- a) the likely consequences of any decision in the long term;
- b) the interests of the charity's employees;
- c) the need to foster the charity's business relationships with suppliers, customers and others;
- d) the impact of the charity's operations on the community and the environment;
- e) the desirability of the charity maintaining a reputation for high standards of business conduct, and
- f) the need to act fairly as between stakeholders of the company.

The charity's stakeholders include the suppliers with whom we work to produce and promote our research, self-employed consultants and temporary staff upon whom we rely to conduct surveys and administer assessments, the media organisations with whom we collaborate to ensure that our research findings reach the appropriate audience, our clients with whom we develop our research ideas and who fund our activities and teachers and head teachers who inform our surveys, help develop our assessments and work with us to improve the education of the children in their schools. The trustees are very aware of the contribution that the charity's stakeholders make to its success and have regard to them when developing strategy for the future.

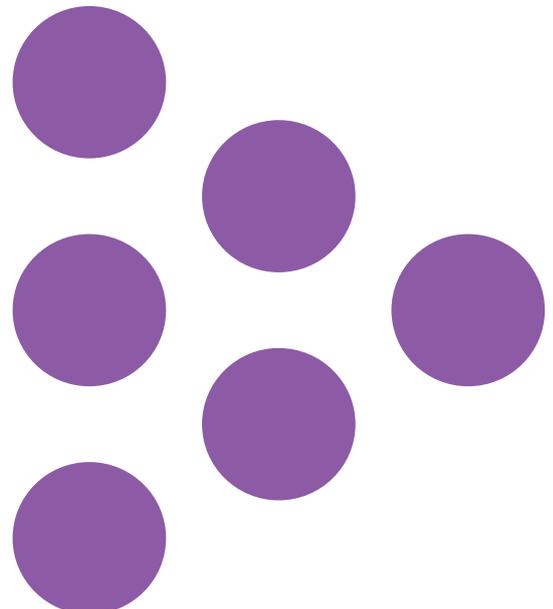
Looking ahead

Our goal is to increase NFER's reach, impact and long-term sustainability.

Over the next decade, our ambition is to be operating effectively at scale in our target overseas markets, whilst expanding our digital capabilities and continuing to deliver robust evidence and insights that will improve education policy and practice.

In 2020-21 we will have a particular focus on:

- Supporting the education sector to understand and respond to the impact of the Covid-19 pandemic, with a particular focus on education inequalities.
- Continuing to increase our charitable impact - through greater stakeholder engagement, influencing and visibility activity.
- Growing our portfolio of international work, providing evidence to improve education systems in other countries and supporting our wider priority of diversifying and expanding our client base.
- Investing in a major transformation programme to increase the quality, security and value of what we do and strengthening our capabilities in e-assessment.
- Supporting our staff through this uncertain and challenging time; providing a positive and motivational environment, provisions for effective remote working, and ensuring their views are listened to through regular staff surveys.



Structure, governance and management



Appointment of Trustees

As set out in the Articles of Association as amended on 28th November 2019, all Trustees are elected by the Board. The Trustees conduct a regular review of skills required and use this review to inform the recruitment of future Trustees.

Trustee induction, training and continued support

All newly appointed Trustees are given appropriate induction materials and opportunities to understand the operations of NFER. The new Trustees are invited to meet senior members of staff and are provided with key documents including the Articles of Association, the latest Annual Report and Accounts, and recent Board minutes. Opportunities for specific training are offered on an “as needed” basis.

In addition to the schedule of business meetings, Trustees also participate in an annual strategic planning day to discuss future strategy for the organisation. This often includes an element of training and updating on new areas of business, legislation and best practice.

Organisation

The Trustees are responsible for agreeing the aims and direction of the organisation but have delegated the day-to-day management to a Chief Executive, supported by a Senior Management Team (as outlined on page 5). Each year the Trustees approve the annual business plan

and budget; anything that is not included in that plan must be referred back to the Trustees for approval. The Board has reserved for itself the approval of the Annual Report and Accounts, key policies and all matters relating to property. It has established specialist committees to run specific areas, namely investments, audit, remuneration and nominations. Working groups are also established to enable Trustees to engage with specific business matters.

Related parties

NFER has three wholly owned subsidiaries. The first, NFER Trading Limited, Company Number 03954591, was formed in 2000 with its prime role to deliver certain commercial contracts. The other two, i-nfer Assessment Limited, Company Number 05946075, (incorporated in 2006) and Futurelab Education Limited Company Number 04262609, (both acquired by the Group in 2012) remained dormant throughout the financial year.

Energy use

The charity uses energy for the purposes of heating, lighting and air-conditioning its office spaces. During the year the group consumed 692,000KW of electricity to power and air-condition its offices and 523,000KW of gas to heat them. In total these two sources of energy represent annual CO₂e emissions of 257 tonnes. The charity is investigating ways in which it can reduce its consumption of fossil fuels, including the feasibility of generating its own renewable energy.

Risk management

Trustees are assessing the risks and uncertainties brought about by the COVID-19 pandemic. Cash flow is continuously monitored, along with the impact of the crisis on income levels. A number of scenarios are being modelled, assessing the consequences on easily available funds, and the asset portfolio has been reviewed to ascertain the potential sources of additional short term financing. The charity is exploring the potential to secure a Coronavirus Business Interruption Loan to support the delivery of its research and development programmes over the coming years.

The Trustees conduct an annual risk management exercise to identify all the risks to the charity, including all active subsidiaries, and to assess the impact and likelihood of the occurrence of each risk. Based on this analysis, Trustees ensure that appropriate systems and actions are in place to eliminate, reduce or mitigate these risks.

The most significant risks facing the Group and corresponding strategies for managing these risks are summarised below.

- The willingness of schools to re-engage in NFER's research projects and to use our assessment resources from the Autumn term of 2020 in the wake of the Covid19 pandemic will affect the speed of our financial recovery. However, not all of our work involves direct contact with schools and our expertise is likely to be in demand to contribute to

understanding and responding to the effects of the pandemic on schools and pupils. NFER is also fortunate in having an investment portfolio which it can call upon to support its activities over the short term, if necessary.

- The challenge of securing sufficient income in order to continue to meet our charitable aims, providing insights that make a positive difference to education policy and practice, has inevitably been made more difficult as a consequence of the pandemic. Many of the clients that we rely on, particularly Government clients, may have less money to spend on education research in the short term. However, we have a healthy order book for the next two years and we are strengthening our position by continuing to innovate, by developing our methodologies, investing in our infrastructure and capabilities and by diversifying our client base.
- Ensuring the security of our information continues to be a key area of focus. We are safeguarding the integrity of our systems through careful management of information security risks in line with our ISO27001 certification and Cyber Essentials Plus status, and through investing in business resilience and continuity.

The ongoing negotiations on the future relationship between the UK and the European Union and the uncertainties surrounding their possible outcome is creating concern for many organisations. We are monitoring the situation carefully

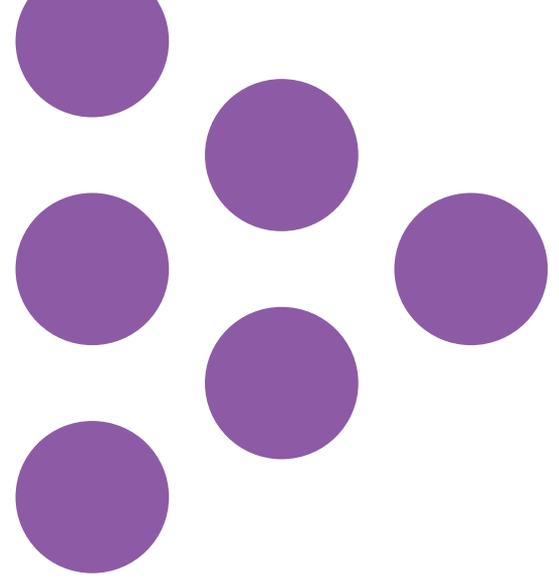
and mitigating the risks by continuing to invest in the development of the business – in the UK and internationally – and ensuring that we are able to recruit and retain high quality staff from other countries through the use of a Home Office Sponsorship Licence.

Having conducted the risk management exercise, the Trustees are satisfied that the significant risks facing NFER have been identified and mitigating actions are appropriate for eliminating or managing any potential impact.

Financial instruments

It is the policy of the charity not to engage in complex financial instruments where there could be financial risk. NFER only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. The most significant of these, together with the strategy for managing any associated risks, are:

- Our investment portfolio, where risk is controlled by the Investment Committee through the appointment of investment managers, a wide spread of investments and a policy to hold a proportion of the assets in bonds and property funds that are not as exposed to downside risk as equities
- A 20-year bank mortgage (five years remaining at 31 March 2020), in which upward interest rate risk has been eliminated by fixing the rate of interest throughout the term.



Buckinghamshire County Council Pension Fund (BCCPF)

The company's membership of a local government pension scheme prior to 2011 also exposes the company to financial risk from market forces, which affect its value. This is controlled by external bodies that manage the scheme. The company mitigated this risk by agreeing a settlement with the pension fund in November 2015, which involves regular monthly payments to the pension fund for each of the subsequent 19 years. In the event that a deficit remains in NFER's share of the fund at the end of this period, NFER and BCCPF will agree on how to settle the outstanding amount.

Qualifying indemnity insurance

The charitable company has granted an indemnity to its Trustees against liability in respect of actions brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity insurance remains in force as at the date of approving the Trustees' report.

Financial review of the group

NFER's overall level of income was £18.8m for the year (2018-19: £20.4m). Income from research was £12m (2018-

19: £14.2m) whereas income from sales of our educational resources increased to £6.2m (2018-19: £5.5m). A net surplus on charitable activities of £0.5m was achieved, compared to a net surplus on charitable activities of £1.7m last year.

The investment portfolio has generated a steady level of dividend and interest income at £633k, (2018-19: £621k). The value of the portfolio at 31 March 2020 has fallen to £19.9m (2019: £21.8m) having experienced a considerable fall in market value in the final weeks of the year.

Interest costs incurred on the mortgage decrease as the capital amount of the loan reduces; this year it was £128k compared to £148k last year. In addition, in accordance with the requirements of FRS102, an interest charge on the pension deficit has been calculated at £527k. The equivalent figure for the prior year was £605k.

Overall, the organisation generated a total net deficit for the year of £1,453k as compared to net surplus of £2,471k in 2018-19. This reflects a surplus on our charitable activities which was more than offset by the loss in value of our investments. In 2018-19 NFER experienced a surplus on charitable activities, combined with a substantial increase in the value of the investment portfolio.

The FRS102 actuarial gains reported for this year amount to £2.6m (2018-19 of £2.1m). The result of this actuarial gain is a decrease in the net pension deficit from £20.8m in 2019 to £18.3m at the year end. The overall net movement of funds for the

year, after these actuarial gains, amounted to £1.1m, which gives NFER total reserves of £13.8m at the end of the year, compared to £12.7m at the end of last year.

The charity's only active subsidiary, NFER Trading Limited, made an operating loss of £141k (2018-19: loss of £472k) and will not remit any Gift Aid this year (2018-19: profit remitted of Nil). A grant of £595k has been made during the year to NFER Trading Limited together with the issuance of a letter of support. The revenue of £297k (2018-19: £1,113k) has decreased as a result of the signing of no new contracts in the name of NFER Trading Limited.

Reserves policy and plans for future years

Having considered the challenges and opportunities that the charity may face in the medium to longer term, the Trustees calculated the need for a level of free reserves (i.e. those unrestricted reserves that have not been designated for specific purposes) in the range of £2.3m to £4.6m based on three to six months unavoidable expenditure. This range was determined by an assessment of the period over which a downturn in the business of NFER would have to be managed before positive results could be achieved from the implementation of remedial actions.

As at 31 March 2020, NFER's total group reserves stood at £13.8m (2019: £12.7m). This is composed of:

Designated fixed assets reserve	£5.9m	See Note 11
Pension reserve	(£18.3m)	Actuarial valuation of pension deficit
Unrestricted reserves	£26.2m	To allow the charity to manage challenges and opportunities
Total reserves	£13.8m	

The Trustees' strategy in future years is to manage the free reserves of the charity, which currently stand at approximately £7.9m, to achieve a value within the target range, taking into account the expected value of the pension settlement.



Investment policy and performance

Trustees are aware of the potential impact of the COVID-19 pandemic on the value of investment assets, with some portfolios having decreased in value by in excess of 16% since the start of the crisis. The Charity is a long term investor and currently has no plans to realise investments. With the uncertainty over the ultimate impact on values, no adjustment has been made in these financial statements to the values at 31 March 2020. By the end of June, the portfolio had recovered all the value that it had lost in March 2020.

NFER’s policy on investments is to maximise the total return on investments commensurate with achieving a specified level of income (which will be reviewed annually by NFER and agreed with its principal investment managers) and maintaining the capital value of the investments in real terms over the long term (any period of five years). Investments are not permitted in negotiable instruments known as derivatives or in companies whose principal businesses include tobacco, gambling or pornography.

The performance of the assets managed by the principal fund managers (Investec and Smith & Williamson) is measured against a Total Return (capital and income) benchmark over the medium term, based on the RPI index plus 4.25%. The benchmark will be reviewed periodically.

Each of the investment managers has the same minimum and maximum asset class parameters so that, overall, exposure to different assets will be within acceptable boundaries, thereby mitigating risk.

The current planning ranges, which will be subject to annual review, are:

UK and Overseas equities	30-80%
.....	
Bonds including Indexed Linked bonds	12-60% including cash (a max of 50% in Government bonds)
.....	
Cash	Included in bonds above
.....	
Hedge Funds	0-10%
.....	
Property	0-10%
.....	
Other	0-5%
.....	

In the year, investment capital fell to £19.9m (2018-19: increased to £21.8m) and the investments failed to meet the objective of exceeding RPI plus 4.25%, as a result of the fall in market values in March 2020.

This policy and related controls are to ensure that the security of the assets and their proper management are reviewed on a periodic basis. A general review of this policy is conducted on an annual basis with a detailed review every two years. The Investment Committee meets twice yearly to monitor and evaluate performance of the investments and the investment managers.



Going concern

The financial statements are approved during a period where there is much uncertainty as a result of the emergence and international spread of a coronavirus (COVID-19). The ultimate impact of the COVID 19 pandemic is still unclear, but management are modelling scenarios should there be a material effect on income in future years. However, having reviewed the funding facilities available to the Charity together with the expected future cash flows, the trustees have a reasonable expectation that the charity has adequate resources to continue its activities for the foreseeable future and consider that there are no material uncertainties over the charity's financial viability. Accordingly, they also continue to adopt the going concern basis in preparing the financial statements.

Pension schemes

During the year, the NFER participated in two pension schemes: its own defined contribution pension scheme independently run by Pan Trustees Ltd (NRSP) and the Teachers' Pension Scheme (TPS), administered by Teachers' Pensions (TP) on behalf of the Department for Education (DfE).

The TPS is accounted for as a defined contribution scheme under Financial Reporting Standard 102 (section 28) Employee Benefits.

NFER's active membership of the Buckinghamshire County Council Pension Fund (BCCPF) ceased on 30 June 2011. The BCCPF is accounted for as a defined benefit

fund under Financial Reporting Standard 102 and was replaced with the NFER's own defined contribution pension scheme.

NFER and BCCPF signed a settlement agreement in 2015 to determine the arrangements for payment of the share of the fund deficit relating to NFER's Admission Agreement. The Scheme's future funding requirements over the nineteen years of the agreement now form part of the company's annual and long term planning and budgeting processes.

Engagement with employees

Throughout the financial year senior managers have engaged with staff:

- To inform them through monthly staff briefings and regular newsletters of the charity's performance and achievements, developments in the markets in which we operate and how we have taken account of the interests and queries raised by members of staff. This process has been extended significantly since the outbreak of the Coronavirus pandemic to ensure that staff working from home during 'lockdown' are informed of the impact of Covid-19 on our charitable work and of the support that we can offer to staff to assist them with their work and their wellbeing.
- To enquire through three externally administered surveys how effectively the charity is supporting their needs and addressing the challenges that it faces. Two of these surveys took place following the closure of the charity's offices due to Covid-19 to hear the staff's views on the transition to

homeworking and the support offered to them by the charity. Another follow up survey is planned for later in the autumn. All the surveys conducted to date have indicated high levels of satisfaction with the charity as an employer and with its response to the challenges raised by the pandemic.

- Through the elected members of the Staff Council. This group has met with senior managers on a regular basis throughout the financial year and has continued to meet virtually during 'lockdown'. The elected Chair of the Staff Council regularly attends SMT meetings to report on the main interests and concerns of staff.
- By recognising the achievements and efforts of individual members of staff during the year. Some of these achievements are recognised through a bonus scheme which is allocated by senior managers on a bi-annual basis on the recommendations of line managers.

Equal opportunities and remuneration policies

Our staff are crucial to our success and we want to attract and retain the brightest and most talented employees, in line with our equality, diversity and inclusion policy. NFER is committed to being an equal opportunities employer and to creating an environment where the staff, Trustees, clients, partners and suppliers experience equality, diversity and inclusion in all our activities. All employees, whether part-time, full-time or temporary, are treated fairly and with respect. Selection for employment, promotion, training or any other benefit



is on the basis of aptitude and ability. All employees are helped and encouraged to develop their potential so that the talents and resources of our staff are fully utilised and the efficiency of the organisation is maximised. This policy is fully supported by the Trustees and Senior Management Team (SMT) and is monitored on an ongoing basis.

The Trustees consider that the Board of Trustees and the SMT are the key management personnel who have authority and responsibility for planning, directing and controlling the activities of NFER.

Our 2019 gender pay gap report indicates for the third year running that the differences in pay between men and women are modest, markedly different from the national picture. These figures, calculated using the 2017 Regulations and the Equality Act 2010, showed that the median pay gap calculated as at 5 April 2019 was +4.6% in favour of men (2018: 0.0%) as compared to the national average as at that date of +17.3% (2018 +17.8%). The mean average for NFER at the same date was 0.0% (2018: -0.1% in favour of females). The figures suggest that gender pay is neutral at NFER whereas the national pay gap remains consistently high in favour of males.

Remuneration for all staff, including the SMT, is reviewed annually by the Remuneration Committee, a sub-committee of the Board of Trustees, taking account of the following aims and principles:

- to ensure the availability of the skills, experience and expertise required to deliver the organisation's objectives

- to attract and retain a motivated workforce in order to achieve organisational effectiveness
- to recognise individual performance and contribution to the organisation's development and success
- to reflect the performance of the organisation
- to reflect NFER's ethos, aims and values.

Senior Management Team

Employment at NFER is valued by our staff as a result of the respect with which the organisation's work in the field of education is held. However, NFER operates in a labour market where there is increasing competition for the specialist and leadership skills required to meet its aims and objectives, making it important to be able to offer competitive salaries.

Pay for the SMT is determined by NFER's Remuneration Committee. Pay levels are set on the basis of the principles set out above, and with reference to the pay award for the organisation as a whole. Information on increases in national earnings, and planned pay awards in other organisations, is used to inform pay awards. Pay levels are reviewed annually.

As for all NFER employees, remuneration for the SMT includes salary and pension scheme contributions. Contributions are made by NFER to the NFER Retirement Savings Plan (NRSP) at the rate of up to 10% of the member of staff's base salary. Other elements of the organisation's

remuneration and benefits package are also attractive and of value to staff at all levels across the organisation (including the annual leave entitlement, our approach to flexible working arrangements, and the scope for personal development).

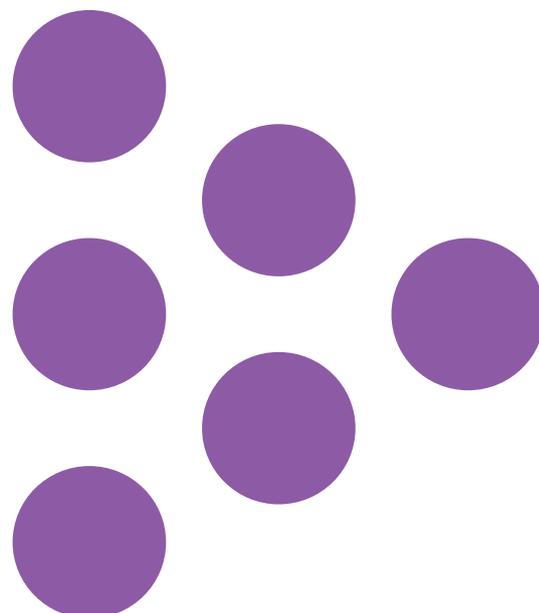
Details of the key management personnel remuneration, expenses and related party transactions are disclosed in notes 9 and 10 to the accounts.

Trustees

The Board of Trustees is collectively responsible for the overall governance, aims and strategic direction of the Charity and the Group. There is no fee payable in respect of appointment as a Trustee; Trustees are entitled to reimbursement for any reasonable out-of-pocket expenses.

Auditors

The Trustees appointed Haysmacintyre LLP as auditors of the Charity and the Group during the year.



Statement of the Trustees' responsibilities

The Trustees (who are also directors of the NFER for the purposes of company law) are responsible for preparing the Trustees' report (including the Strategic Report) and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom 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 group and of the incoming resources and application of resources, including the income and expenditure, of the charitable company and group 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 Statement of Recommended Practice (SORP)
- make judgements and estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards, including FRS102, have been followed, subject to any material departures disclosed and explained in the financial statements
- state whether a SORP applies and has been followed, subject to any material departures which are explained in the financial statements
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the charitable company and group 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 group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

So far as each of the Trustees is aware:

- there is no relevant information of which the charitable company's auditor is unaware
- 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.

None of the Trustees had any beneficial interest in any contract to which the NFER was party during the year.

The Trustees' Annual Report and Strategic Report were approved by the Board of Trustees and signed by:



J L Cocking
Chair

The Mere, Upton Park,
Slough, Berks SL1 2DQ

5 November 2020

Independent auditor's report

to the Members of the National Foundation for Educational Research in England and Wales (Company number 00900899)

Opinion

We have audited the financial statements of National Foundation of Educational Research in England and Wales for the year ended 31 March 2020 which comprise Consolidated Statement of Financial Activities, the Group and Parent Charitable Company Balance Sheets, the Consolidated Cash Flow Statement 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 Financial Reporting Standard 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 group's and of the parent charitable company's affairs as at 31 March 2020 and of the group's and parent charitable company's net movement in funds, including the 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.

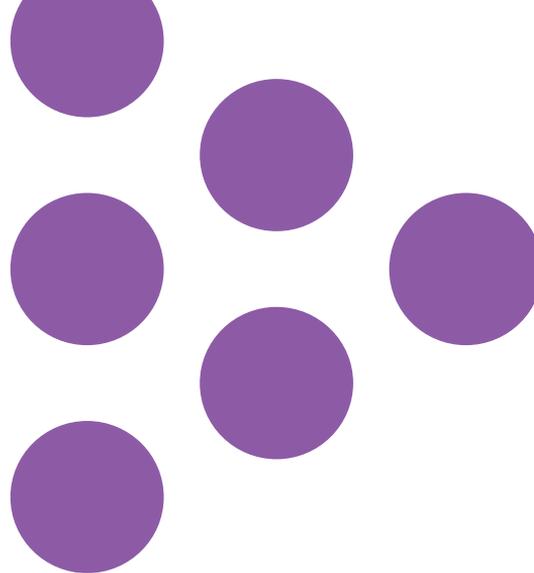
Basis for opinion

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 group 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

As explained more fully in the trustees' responsibilities statement set out on page 26, 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 group's and the parent 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 group or the parent charitable company or to cease operations, or have no realistic alternative but to do so.

Other information

The trustees are responsible for the other information. The other information comprises the information included in the Report of the Board of Trustees. 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 Report of the Board of Trustees (which includes the strategic report and the directors' report prepared for the purposes of company law) for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report included within the Report of the Board of Trustees have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

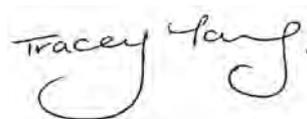
In the light of the knowledge and understanding of the group and the parent charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Report of the Board of Trustees (which incorporates the strategic report and the directors' report).

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent charitable company; or
- the parent charitable company 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.

Use of our report

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members 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 charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Tracey Young
Senior Statutory Auditor

For and on behalf of
Haysmacintyre LLP, Statutory Auditors
10 Queen Street Place, London EC4R 1AG

Date: 5 November 2020

Consolidated statement of financial activities

(including income and expenditure account and statement of recognised gains and losses) for the year ended 31 March 2020

	Notes	2019-20 £'000	2018-19 £'000
Income from:			
Charitable activities	4(a)	18,153	19,738
Investments	4(b)	633	621
Other	4(c)	6	6
Total income		18,792	20,365
Expenditure on:			
Investment Management		(99)	(74)
Charitable activities	5	(17,637)	(18,049)
Mortgage Interest		(128)	(148)
Net interest and admin expenses on defined pension liability	17(d)	(527)	(605)
Total expenditure		(18,391)	(18,876)
Net income before gains on investments		401	1,489
Net (losses)/gains on investments	12	(1,854)	982
Net (loss)/ income		(1,453)	2,471
Other recognised gains/(losses):			
Actuarial gains on defined benefit pension schemes	17(g)	2,594	2,137
Net movement in funds		1,141	4,608
Reconciliation of funds:			
Total funds brought forward		12,655	8,047
Total funds carried forward		13,796	12,655

The statement includes all gains and losses recognised in the year. All income and expenditure derive from continuing activities.

Group and Company balance sheet

as at 31 March 2020

	Note	Group		Company	
		2020 £'000	2019 £'000	2020 £'000	2019 £'000
Fixed Assets:					
Intangible Assets	11	61	98	61	98
Tangible Assets	11	5,887	5,812	5,887	5,812
Investments	12	19,888	21,838	19,888	21,838
Total Fixed Assets		25,836	27,748	25,836	27,748
Current Assets:					
Stocks: finished goods		852	477	852	477
Debtors	14	5,098	4,623	5,106	5,082
Cash at bank and in hand		5,532	5,707	5,525	5,704
Total Current Assets		11,482	10,807	11,483	11,263
Liabilities:					
Creditors: Amounts falling due within one year	15	(3,497)	(3,004)	(3,492)	(3,000)
Net current assets		7,985	7,803	7,991	8,263
Total assets less current liabilities		33,821	35,551	33,827	36,011
Creditors: Amounts falling due after more than one year	15	(1,733)	(2,084)	(1,733)	(2,084)
Net assets excluding pension liability		32,088	33,467	32,094	33,927
Defined benefit pension scheme liability	17	(18,292)	(20,812)	(18,292)	(20,812)
Total net assets		13,796	12,655	13,802	13,115
The funds of the charity: Unrestricted					
Designated Funds	18	5,948	5,910	5,948	5,910
Free Reserves	18	26,140	27,557	26,146	28,017
Pension reserve	18	(18,292)	(20,812)	(18,292)	(20,812)
Total unrestricted and charity funds		13,796	12,655	13,802	13,115

The financial statements on pages 30 to 50 were approved and authorised for issue by the Board of Directors on 5 November 2020 and signed on its behalf by:



J L Cocking, Chair
Company number 00900899

Consolidated statement of cash flows

for the year ended 31 March 2020

	Note	2019-20 £'000	2018-19 £'000
Cash flows from operating activities	19(a)	(191)	940
Cash flows from investing activities			
Dividends from investments, interest and rents		639	627
Purchase of fixed assets		(387)	(171)
Proceeds from sale of investments		3,122	2,639
Purchase of investments		(2,656)	(2,413)
Movement in cash held for investment		(370)	(132)
Net cash provided by investing activities		348	550
Cash flows from financing activities			
Repayments of borrowing		(332)	(313)
Net cash used in financing activities		(332)	(313)
Change in cash and cash equivalents in the reporting period		(175)	1,177
Cash and cash equivalents at the beginning of the reporting period		5,707	4,548
Effect of foreign exchange rate changes on cash and cash equivalents		-	(18)
Cash and cash equivalents at the end of the reporting period	19(b)	5,532	5,707

Notes to the financial statements

for the year ended 31 March 2020

1. Status of the NFER

NFER is a body domiciled and incorporated in England and Wales under the Companies Act (Company No. 00900899), and is limited by guarantee. In the event of NFER being wound up the liability of its members, the number of whom is variable, is limited to £1 each. NFER is exempt from tax on income and gains falling within section

505 of the Taxes Act 1988 or section 252 of the Taxation of Chargeable Gains Act 1992 to the extent that these are applied to its charitable purposes by virtue of being a registered charitable body (Charity No. 313392). NFER's subsidiary undertakings are detailed in Note 13 to the accounts.

2. Accounting policies

a) Accounting convention and basis of preparation of the financial statements

The financial statements have been prepared in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102). The charitable company and its subsidiaries are a public benefit group for the purposes of FRS 102 and therefore the charity also prepared its financial statements in accordance with the Statement of Recommended Practice (The FRS 102 Charities SORP), the Companies Act 2006 and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410) and the Charities Act 2011.

The consolidated financial statements incorporate the accounts of NFER and all of its subsidiary undertakings using the acquisition method from the date that control passes. All financial statements are made up to 31 March each year.

The financial statements are prepared in sterling, which is the functional currency

of the group. Monetary amounts in these financial statements are rounded to the nearest one thousand pounds.

The accounting policies of the group and company remain unchanged from the previous year.

b) Going concern

The Trustees have determined that, notwithstanding the advent and impact of the coronavirus pandemic, there are no material uncertainties related to events or conditions that cast significant doubt on the NFER's ability to continue as a going concern for at least 12 months beyond the date the accounts are signed, as there is sufficient work secured for the next 12 months and the organisation has enough cash and investments that can be easily liquidated to cover running costs for that period.

c) Recognition of income and expenditure

Income and direct research expenditure are recognised as project activity progresses.

Income is recognised as earned when, and to the extent that, the charity obtains the right to consideration in exchange for its performance under these contracts. It is measured at the fair value of the right to consideration, which represents amounts chargeable. In respect of incomplete research projects, the income recognised reflects the partial performance of the contractual obligations. For such contracts the amount of revenue reflects the accrual of the right to consideration by reference to the value of work performed. Income recognised but not yet invoiced is included in debtors as 'amounts recoverable on contracts'. Income billed in advance of contract performance is included in creditors as 'deferred income and payments on account'.

Any excess direct expenditure on completed projects, or any excess direct expenditure on incomplete projects which is unlikely to be recovered over the life of the project, is provided for in full as soon as it is anticipated.

Other income and expenditure is recognised on an accruals basis when there is entitlement to the funds, the receipt is probable and the amount can be measured reliably.

d) Expenditure

Direct charitable expenditure relates to salaries and expenditure directly incurred in the delivery of research, educational services, and related resources. Staff salaries are allocated to specific projects, products and services based on the time spent on those activities.

Support costs comprise the costs of non-research staff, accommodation and other overheads; these costs are allocated between activities on the basis of direct salaries.

Leased assets and obligations: annual rentals paid under operating leases are charged to the income and expenditure account on a straight-line basis over the lease term, with any lease incentives or rent free periods spread over the lease term.

e) Impact projects and educational resources development

NFER invests in its own research and development activity. Any such expenditure is written off to the income and expenditure account in the period in which it is incurred. Also, development expenditure for new educational resources is written off in the year in which it is incurred.

f) Fixed assets and depreciation

Freehold property is included in the accounts at cost.

Both tangible and intangible fixed assets are depreciated/amortised by equal annual instalments over their estimated useful lives as follows:

Freehold buildings	50 years
IT equipment	1 to 5 years
Other equipment	3 years
Software	1 to 5 years

Freehold land is not depreciated.

Assets that are impaired in value are written down to their economic value.

Assets purchased/acquired for less than £5,000 are not capitalised.

Intangible assets comprise software.

g) Investments

Investments are stated in the balance sheet at market value.

h) Stock: finished goods

Stocks have been valued at the lower of cost and net realisable value.

i) Employee benefits

Retirement benefits to employees of NFER are provided by its own defined contribution scheme, the Teachers' Pension Scheme (TPS) and the Buckinghamshire County Council Pension Fund (BCCPF).

Contributions in respect of NFER's defined contribution scheme are charged to the Statement of Financial Activities in the year they are payable.

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives in such a way that the pension cost is a substantially level percentage of current and future pensionable pay. The contributions are determined by the Government Actuary on the basis of quadrennial valuations using a prospective unit credit method. As stated in Note 18, the TPS is a multi-employer scheme and NFER is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions are recognised in the Statement of Financial Activities in the year they are payable.

NFER is a non-active member of the BCCPF, a defined benefit pension scheme. The scheme is funded, with the assets held separately from the company in trustee administered funds. The liability recognised in the balance sheet in respect of defined benefit pension schemes is the fair value of the pension scheme liabilities less the fair value of the assets held in the scheme. Pension scheme assets are measured at fair value and the liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date.

For defined benefit schemes the expected return on assets and the interest cost are shown as a net finance gain or loss. Actuarial gains and losses are recognised immediately in other gains and losses.

j) Fund Accounting

Designated funds are unrestricted funds set aside at the discretion of the Trustees for specific purposes as described in Note 19 to the accounts.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by donors or which have been raised by the charity for particular purposes.

Unrestricted funds represent projects and other income received that contains no restriction relating to the use of those funds.

k) Irrecoverable VAT

All input VAT that cannot be recovered in full is expensed. The amount of input VAT credited to overheads that can be partially recovered is calculated using the standard turnover method.

l) Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange applicable at the balance sheet date. Transactions in foreign currencies are recorded at the rate applicable at the date of the transaction. All differences are taken to the statement of financial activities.

m) Unrealised gains and losses

NFER operates a 'mark-to-market' policy, whereby the carrying value of the company's investments is updated to market value on a continuous basis. As a result, gains and losses on investments held at the year end are classified as unrealised.

n) Cash at bank and in hand

Cash at bank and in hand includes cash and short term liquid deposit accounts which are repayable on demand or at short notice.

o) Financial instruments

NFER has financial assets and liabilities that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at amortised cost with the exception of investments which are subsequently measured at fair value through the statement of financial activities.

3. Judgements and key sources of estimation uncertainty

In the application of the charity's accounting policies, the Trustees are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period or in the period of the revision and future periods where the revision affects both current and future periods.

The estimates and assumptions with the most significant effect on amounts recognised in the financial statements are as follows:

a) Project income recognition

Income from projects is assessed on an individual basis with income being recognised based on the stage of

completion of the project which is estimated using a combination of the milestones in the contract and the time and costs spent to date compared to the total expected to be required to undertake the project. Estimates of the total time and costs required to complete the projects are made on a quarterly basis and subject to management review. These estimates may differ from the actual results due to a variety of factors such as efficiency of working, accuracy of assessment of progress to date and client decision making.

b) Defined benefit pension scheme (BCCPF) assumptions

The charity has an obligation to pay pension benefits to certain employees under a defined benefit pension scheme. The cost of these benefits and the present value of the obligation depend on a number of factors that are determined on an actuarial basis using a variety of assumptions including; life expectancy, asset valuations and the discount rate on corporate bonds. Any changes in these assumptions, which are disclosed in Note 18, will impact the carrying amount of the pension liability.

4. Income

a) Charitable activities

	2020	2019
	£'000	£'000
Research	11,980	14,228
Educational Resources	6,173	5,510
	18,153	19,738

Research

This comprises income from the following activities:

- undertaking research related to education and training
- the development and use of assessment instruments and procedures
- undertaking surveys and similar services to support research
- supplying information developed from the above to stakeholders in schools and other education institutions.

It is not possible to analyse income into the above categories as the majority of projects involve a mixture of all elements.

Educational resources

This comprises the sale of educational resources and services, predominantly to schools, including our Optional Tests.

b) Investment income

	2020	2019
	£'000	£'000
From listed investments	585	584
Interest on cash deposits	48	37
	633	621

c) Other

This comprises rent receivable including service charges.

5. Charitable activities expenditure

For year ended 31 March 2020

	Direct salaries	Direct costs	Support costs	2020
	£'000	£'000	£'000	Total £'000
Research	6,888	2,726	4,497	14,111
Educational resources	996	1,541	689	3,226
Educational Resource development	152	52	96	300
Total	8,036	4,319	5,282	17,637

For year ended 31 March 2019

	Direct salaries	Direct costs	Support costs	2019
	£'000	£'000	£'000	Total £'000
Research	6,859	3,087	4,520	14,466
Educational resources	914	1,481	577	2,972
Educational Resource development	305	113	193	611
Total	8,078	4,681	5,290	18,049

6. Support Costs

	2020	2019
	£'000	£'000
Salary and pension costs	3,301	3,321
Recruitment and other staff costs	574	590
Property and office costs	583	595
Consultancy	177	199
Marketing	152	165
Depreciation	312	296
Amortisation	37	36
Exchange (gains)*/losses	(28)	2
Governance (see Note 7)	174	86
*Including transactional gains	5,282	5,290

7. Governance costs

	2020	2019
	£'000	£'000
Board and Board Committee expenses	3	4
Audit and legal fees	99	37
Insurance	72	45
	174	86

8. Net income before gains on investments

Net income before gains on investments is stated after charging:

	2020	2019
	£'000	£'000
Auditor's remuneration (incl. VAT)		
- as auditors	32	25
- for other services	3	9
Depreciation and amortisation	349	332
Operating lease rentals - land and buildings	96	33

9. Employees

Staff costs during the year:

	2020	2019
	£'000	£'000
Wages and salaries	9,654	9,862
Social security costs	851	787
Pension costs	832	750
	11,337	11,399

The average number employed (excluding the Trustees) during the year for Group and Company was:

	2020		2019	
	FTE	Head count	FTE	Head count
Permanent staff	205	226	195	215
Temporary staff	93	206	91	336
	298	432	286	551
Research staff	199	247	191	316
Other staff	99	185	95	235
	298	432	286	551

Key management personnel comprise the Trustees and the Senior Management Team.

None of the Trustees, who are the directors of the company, received any remuneration in the current or previous year.

The seven (2019: six) members of the Senior Management Team received total remuneration of £716k (2019: £715k) comprising both annual salary and pension contributions.

The following number of employees earned £60,000 per annum or more:

	2020	2019
	Number	Number
£60,001-£70,000	9	10
£70,001- £80,000	1	-
£80,001- £90,000	1	2
£90,001-£100,000	3	2
£100,001-£110,000	1	1
£130,001-£140,000	1	1

The number of higher paid staff to whom retirement benefits are paid into defined contribution pension schemes was 16 (2019: 16). The total contribution in respect of these employees was £136,063 (2019 £127,439).

The charity made redundancy payments of £77,000 during the year (2019: £Nil).

10. Members of the Board

Trustees' expenses consisted of travel and subsistence costs paid to six Trustees (2019: 7) which amounted to £3,078 (2019: £3,798). During the year insurance costing £6,087 (2019: £3,640) was purchased to

indemnify the Trustees and other officers against the consequences of any neglect or default on their part and to protect NFER from loss arising from the neglect or default of its Board, officers or staff.

11. Intangible and Tangible fixed assets

Intangible Fixed Assets Group & Company	IT Software £'000
Cost	
1 April 2019	167
Additions in year	-
31st March 2020	167
Amortisation	
1st April 2019	69
Charge for year	37
31st March 2020	106
Net book amount	
31st March 2020	61
1st April 2019	98

Tangible Fixed Assets Group & Company	Land £'000	Freehold property £'000	IT equipment £'000	Other equipment £'000	Total £'000
Cost					
1 April 2019	700	7,612	728	285	9,325
Additions in year	-	-	385	2	387
Disposals	-	-	-	-	-
31st March 2020	700	7,612	1,113	287	9,712
Depreciation and Impairment					
1st April 2019	-	2,746	556	211	3,513
Charge for year	-	152	118	42	312
Disposals	-	-	-	-	-
31st March 2020	-	2,898	674	253	3,825
Net book amount					
31st March 2020	700	4,714	439	34	5,887
1st April 2019	700	4,866	172	74	5,812

All assets continue to be used for charitable purposes. It is not practicable to split assets between direct and support expenditure.

12. Investments

Group and Company

	2020	2019
	£'000	£'000
Listed Investments		
Market value at 1 April 2019	21,275	20,519
Less: Disposals at net book value	(3,122)	(2,639)
Add: Acquisitions at cost	2,656	2,413
Net gain on revaluation at 31 March 2020	(1,854)	982
Market value at 31 March 2020	18,955	21,275
Cash allocated for investment	933	563
Total Investments at 31 March 2020	19,888	21,838

Investments can be analysed as follows:

UK Investments (including cash)	13,252	14,350
Non UK Investments	6,636	7,488
	19,888	21,838

Total investment income for the year amounted to £585,000. Of this sum, £494,000 was derived from investments held in the UK and £91,000 derived from non UK investments.

The historic cost of listed investments is £16.8m (2019: £16.4m).

13. Subsidiary Undertakings

a) NFER Trading Limited (Company Number 0394591)

NFER Trading Ltd is a company registered in England and Wales (company number 03954591), with a share capital of £100 and wholly owned by NFER. It was established to pursue trading opportunities outside of NFER's charitable objectives and to protect the charity from commercial risk. At the balance sheet date the company had a net deficit on its capital and reserves of £5,087 (2019: £459,799). Audited accounts are available at Companies House.

During the year the Charity made a grant to NFER Trading Limited of £595,000 (2019: £nil). As at 31 March 2020 the amount owed by NFER Trading Limited to the Charity was £615,056 (2019: £1.2m). The grant reflects the support provided by NFER Trading Limited in meeting the Charity's charitable objectives.

NFER Trading Limited's summary results were:

	2020	2019
	£'000	£'000
Sales	297	1,113
Other Operating Income	595	-
Cost of sales	(422)	(1,410)
Gross profit/(loss)	470	(297)
Administrative expenses	(16)	(175)
Trading profit/(loss)	454	(472)
Gift aid	-	-
Corporation tax	-	-
Retained surplus/(loss) after tax	454	(472)
	2020	2019
	£'000	£'000
Debtors & Cash	616	750
Creditors & Other Liabilities	(621)	(1,210)
Capital & Reserves	(5)	(460)

b) Futurelab Education Limited (Company Number 04262609)

This company remained dormant throughout the year following the transfer of the trade and assets to NFER in the 2011/12 financial year.

c) i-nfer assessment Limited (Company Number 05946075)

This company remained dormant throughout the year following the transfer of the trade and assets to NFER in the 2010/11 financial year.

14. Debtors

	Group		Company	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Trade debtors	1,697	2,203	1,697	2,203
Other debtors	157	159	157	159
Prepayments	589	266	589	266
Amounts recoverable on contracts	2,654	1,991	2,048	1,249
VAT Debtor	1	4	-	-
Subsidiary undertakings		-	615	1,205
	5,098	4,623	5,106	5,082

Trade debtors are stated after provisions for impairment of £117k (2019: £117k).

15. Creditors

	Group		Company	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
<i>Amounts falling due within one year:</i>				
Mortgage loan	351	332	351	332
Provision for pensions	118	3	118	3
Trade creditors	1,056	549	1,056	549
Other taxation and social security	367	464	367	464
Deferred income and payments on account	1,059	912	1,059	912
Accruals	546	744	541	740
	3,497	3,004	3,492	3,000
<i>Amounts falling due after more than 1 year:</i>				
Mortgage Loan	1,733	2,084	1,733	2,084
	1,733	2,084	1,733	2,084

The mortgage loan represents the amount that remains outstanding on an initial facility of £5.5 million. The loan is a fixed interest loan at 5.67% for its 20-year term from May 2005 which, with the capital repayment, fixes the annual outlay to the same rate for each year. The loan is secured by way of fixed charge over the property assets of NFER, and the company is required to maintain a loan to value (LTV) ratio below 60%. The LTV ratio as at the 31 March 2020 was 25.1% (2019: 29.7%)

All deferred income relates to project income held at the balance sheet date for work to be completed in the following year.

All deferred income held at the end of the previous financial year has been released within the year.

Financial commitments under a 20-year mortgage will result in the following capital payments falling due in the future.

	2020 £'000	2019 £'000
Within one year	351	332
Between two and five years	1,619	1,532
More than 5 years	114	553
Total	2,084	2,417

16. Financial commitments

Financial commitments under non-cancellable operating leases will result in the following payments falling due as follows:

Group and Company	2020 Land and Buildings	2020 Other	2019 Land and Buildings	2019 Other
	£'000	£'000	£'000	£'000
Expiring:				
Within one year	50	8	37	11
Between two to five years	-	19	5	43
	50	27	42	54

17. Pension benefits

As at 31 March 2020, NFER (the Company and the Group) participated in two pension schemes:

- Defined Contribution Scheme, independently managed by Pan Trustees Ltd
- Teachers' Pension Scheme administered by Teachers' Pensions on behalf of the Department for Education.

NFER's active membership of the Buckinghamshire County Council Pension Fund, a defined benefit pension scheme, ceased in 2011.

Defined Contribution Scheme

Contributions to the scheme are charged to the statement of financial activities as they become payable.

Teachers' Pension Scheme

The Department for Education Pension Scheme 2014, known as the Teachers' Pensions Scheme (TPS), is governed by the Teachers' Pensions Regulations. Under the regulations, contributions to the scheme are credited to the Exchequer and pension benefits together with all other expenditure are paid out of monies provided by

Parliament. The Government Actuary is required to conduct a review at intervals of not less than every four years, with interim valuations in between, using normal actuarial principles. The aim of the review is to specify the level of future contributions.

The standard contribution rate (SCR) on pension contributions is assessed in two parts: firstly a standard contribution, expressed as a percentage, that during the period would broadly defray the cost of benefits payable in respect of that service, and secondly, a supplementary contribution payable if, as a result of an actuarial investigation, it is found that accumulated liabilities for past and present teachers are not met by standard contributions to be paid in the future and by the notional fund built up from past contributions.

Contribution rates for the period have been set at an employer contribution rate of 16.48% and at employee rates ranging from 7.4% to 11.7%, depending on salary levels.

The latest valuation of the TPS, based on April 2016 data, has set the employer contribution rate at 23.67% payable from September 2019.

Under the definitions set out in FRS 102, the Teachers' Pension Scheme is a multi-employer pension scheme. NFER is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, NFER has taken advantage of the exemption in FRS 102 and has accounted for its contributions to the scheme as if it were a defined contribution scheme. NFER has set out above the information available on the scheme.

At 31 March 2020 there were 4 (2019:4) active members of the scheme.

Buckinghamshire County Council Pension Fund

The Buckinghamshire County Council Fund (BCCPF) is accounted for as a defined benefit scheme under Financial Reporting Standard 102 s17.22 on retirement benefits.

From 1 July 2011, the NFER, following agreement with the BCCPF, ceased active

membership of the defined benefit pension scheme. On 30 November 2015 NFER and BCCPF reached a settlement agreement that set out the arrangement for NFER to pay off its share of the BCCPF deficit over the next 19 years. NFER made an initial payment of £1m on signing the settlement and is making further payments of £422,000 per annum starting from 1 January 2016 (subject to inflation) over the remaining term of the agreement. In the event that a deficit remains in NFER's share of the fund at the end of this period, NFER and BCCPF will agree on how to settle the outstanding amount.

The contributions to the BCCPF are determined by a qualified actuary on the basis of a triennial valuation using the projected unit method. The most recent valuation was as at 31 March 2016.

The valuation in 2019 showed that the market value of the total fund's assets was £3,007m (2016: £2,203m) and the deficiency of liabilities accrued up to 31 March 2019 over the actuarial value of assets was £186 million (2016: £335m), equivalent to a 94% (2016: 87%) funding level.

At 31 March 2019 there were 0 (2016: 0) active members of the scheme, with 269 (2016: 300) deferred pensioners and 190 (2016: 170) pensioners.

The actuarial valuation has been updated on an approximate basis to 31 March 2019 as set out below.

a) Assumptions

i) Demographic

Life expectancy of members from age 65 is assumed as follows:

	Retiring today (March 2020)	Retiring in 20 years (March 2040)
	Years	Years
Males	21.8	23.2
Females	25.1	26.5

ii) Financial

The major assumptions used by the actuary were (in nominal terms):

	At 31 March 2020	At 31 March 2019
Price increases (RPI)	2.7%	3.4%
Price increases (CPI)	1.9%	2.4%
Rate of increase in salaries	1.9%	2.40%
Rate of increase in pensions	1.9%	2.40%
Discount rate	2.35%	2.40%

b) Assets in the scheme and expected rate of return

	Value at 31 March 2020	Value at 31 March 2019
	£'000	£'000
Equities	17,151	17,421
Property	2,394	2,675
Gilts	2,804	4,226
Other Bonds	5,995	5,103
Cash	791	1,094
Alternative Assets	256	262
Hedge Funds	1,647	1,845
Absolute Return Portfolio	1,519	1,608
Total	32,557	34,234

c) Net pension liability

	As at 31 March 2020	As at 31 March 2019
	£'000	£'000
Present value of funded obligations	50,823	55,021
Fair value of scheme assets (bid value)	(32,557)	(34,234)
Net liability	18,266	20,787
Present value of unfunded obligation	26	25
Net Liability in Balance Sheet	18,292	20,812

d) Statement of financial activities costs for the year:

The amounts recognised in the statement of financial activities are:

	Year to 31 March 2020	Year to 31 March 2019
	£'000	£'000
Net interest on the defined liability	495	576
Administration expenses	32	29
Total	527	605
Actual return on scheme assets	(1,269)	1,731

e) Assets and benefit obligation reconciliation for the year to 31 March

Reconciliation of opening and closing balances of the present value of the defined benefit obligation

	Year to 31 March 2020	Year to 31 March 2019
	£'000	£'000
Opening defined benefit obligation	55,046	56,382
Interest cost	1,302	1,419
Experience loss on defined liability obligation	835	-
Change in financial assumptions	(4,310)	1,952
Change in demographic assumptions	(347)	(3,200)
Estimated benefits paid net of transfers in	(1,673)	(1,503)
Unfunded pension payments	(4)	(4)
Closing defined benefit obligation	50,849	55,046

f) Reconciliation of opening and closing balances of the fair value of scheme assets

	Year to 31 March 2020	Year to 31 March 2019
	£'000	£'000
Opening fair value of scheme assets	34,234	33,594
Interest on assets	807	843
Return on assets less interest	(2,076)	888
Administration expenses	(32)	(29)
Contributions by employer including unfunded benefits	453	445
Other actuarial gain	848	-
Estimated benefits paid net of transfers in and including unfunded benefits	(1,677)	(1,507)
Fair value of scheme assets at end of period	32,557	34,234

g) Reconciliation of opening and closing surplus

	Year to 31 March 2020	Year to 31 March 2019
	£'000	£'000
Deficit at beginning of the year	(20,812)	(22,788)
Net interest on defined liability and administration expenses	(527)	(605)
Contributions by employer	453	445
Unfunded pension payments	4	4
Other finance cost	(4)	(5)
Actuarial gains	2,594	2,137
Deficit at end of the year	(18,292)	(20,812)

18a. Statement of movement in Reserve Funds: 1 April 2019 to 31 March 2020

Group Unrestricted funds	Designated Fixed Assets Fund £'000	Pension Reserve Liability £'000	Free Reserve Accumulated Fund £'000	TOTAL 2020 £'000
Balance brought forward at 1 April 2019	5,910	(20,812)	27,557	12,655
Net movement in resources	38	2,520	(1,417)	1,141
Transfers between funds	-	-	-	-
Balance carried forward at 31 March 2020	5,948	(18,292)	26,140	13,796
Represented by:				
Fixed assets	5,948	-	19,888	25,836
Current assets	-	-	11,482	11,482
Creditors falling due within one year	-	-	(3,497)	(3,497)
Creditors falling due after one year	-	-	(1,733)	(1,733)
Defined benefit pension liability	-	(18,292)	-	(18,292)
	5,948	(18,292)	26,140	13,796

Company Unrestricted funds	Designated Fixed Assets Fund £'000	Pension Reserve Pension Liability £'000	Free Reserve Accumulated Fund £'000	TOTAL 2020 £'000
Funds				
Balance brought forward at 1 April 2019	5,910	(20,812)	28,017	13,115
Net movement in resources	38	2,520	(1,871)	687
Transfers between funds	-	-	-	-
Balance carried forward at 31 March 2020	5,948	(18,292)	26,146	13,802
Represented by:				
Fixed assets	5,948	-	19,888	25,836
Current assets	-	-	11,483	11,483
Creditors falling due within one year	-	-	(3,492)	(3,492)
Creditors falling due after one year	-	-	(1,733)	(1,733)
Defined benefit pension liability	-	(18,292)	-	(18,292)
	5,948	(18,292)	26,146	13,802

18b. Statement of movement in Reserve Funds: 1 April 2018 to 31 March 2019

Group Unrestricted funds	Designated Fixed Assets Fund £'000	Pension Reserve Pension Liability £'000	Free Reserve Accumulated Fund £'000	TOTAL 2019 £'000
Balance brought forward at 1 April 2018	6,071	(22,788)	24,764	8,047
Net movement in resources	(161)	1,976	2,793	4,608
Transfers between funds	-	-	-	-
Balance carried forward at 31 March 2019	5,910	(20,812)	27,557	12,655
Represented by:				
Fixed assets	5,910	-	21,838	27,748
Current assets	-	-	10,807	10,807
Creditors falling due within one year	-	-	(3,004)	(3,004)
Creditors falling due after one year	-	-	(2,084)	(2,084)
Defined benefit pension liability	-	(20,812)	-	(20,812)
	5,910	(20,812)	27,557	12,655

Company Unrestricted funds	Designated Fixed Assets Fund £'000	Pension Reserve Pension Liability £'000	Free Reserve Accumulated Fund £'000	TOTAL 2019 £'000
Funds				
Balance brought forward at 1 April 2018	6,071	(22,788)	24,752	8,035
Net movement in resources	(161)	1,976	3,265	5,080
Transfers between funds	-	-	-	-
Balance carried forward at 31 March 2019	5,910	(20,812)	28,017	13,115
Represented by:				
Fixed assets	5,910	-	21,838	27,748
Current assets	-	-	11,263	11,263
Creditors falling due within one year	-	-	(3,000)	(3,000)
Creditors falling due after one year	-	-	(2,084)	(2,084)
Defined benefit pension liability	-	(20,812)	-	(20,812)
	5,910	(20,812)	28,017	13,115

18. Statement of movement in Reserve Funds (continued)

Designated funds

The Board of Trustees have designated unrestricted reserves for the following purposes:

Fixed Assets

The value of this fund is equal to the fixed asset value on the balance sheet (of which most relates to property). It recognises that these funds are illiquid in nature and are consequently not available for business expenditure (the assets would have to be sold in order to realise the cash).

Undesignated funds

Free Reserves

The charity maintains a level of free reserves in order to fund its working capital and future developments, and retain a level of contingency. The target level of net free

reserves is set in the range of three to six months of unavoidable expenditure which for 2019-20 amounts to £2.3m and £4.6m. The current level of net free reserves less the pension reserve (see below) stands at £7.8m (2019: £6.7m).

Pension Reserve

This is a reserve to recognise NFER's share of the estimated deficit of the Buckinghamshire County Council Pension Fund as calculated in accordance with FRS102. NFER and BCCPF signed a Settlement Agreement on 30 November 2015 which sets out the arrangements for paying off NFER's share of the scheme deficit over a 19-year period.

Restricted funds

No restricted funds were held at the reporting date.

19. Notes to the cash flow statement

a) Reconciliation of Group net income to net cash flow from operating activities

Reconciliation of net income to net cash flow from operating activities

	2020	2019
	£'000	£'000
Net (deficit) income for the reporting period (as per the statement of financial activities)	(1,453)	2,471
Adjustments for:		
Depreciation and amortisation charges	349	332
Losses/(gains) on investments	1,854	(982)
Dividends from investments, interest and rents	(639)	(627)
Defined benefit pension scheme cost	527	605
Payments towards pension deficit	(453)	(445)
Increase in stocks	(374)	(41)
Increase in debtors	(475)	(830)
Increase in creditors	474	457
Net cash (used)/provided by operating activities	(191)	940

b) Analysis of Cash and Cash Equivalents

	2020	2019
	£'000	£'000
Cash in hand	2,767	2,200
Notice deposits (less than 8 months, 2019, 3 months)	2,765	3,507
Total cash and cash equivalents	5,532	5,707

c) Reconciliation to net funds

	2020	2019
	£ '000	£ '000
Net funds at 1 April 2019 (Note 20(d))	3,290	1,818
(Decrease)/Increase in cash during the year	(175)	1,177
Cash inflow from reduction of debt	332	313
Effect of exchange rate changes on cash held in other currencies	-	(18)
Net funds at 31 March 2020 (Note 20(d))	3,447	3,290

d) Analysis of net funds

	As at 1 April 2019	Cash flows	Transfers	As at 31 March 2020
	£'000	£'000	£'000	£'000
Cash at bank	5,707	(175)	-	5,532
Debt – due within one year	(332)	332	(351)	(351)
Debt – due after more than one year	(2,085)	-	351	(1,734)
	3,290	157	-	3,447

20. Results of the Company

As permitted under Section 408 of the Companies Act 2006, the statement of financial activities of the company has not been presented as part of these financial statements. The results of the parent undertaking for the year ended 31 March

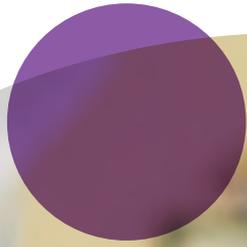
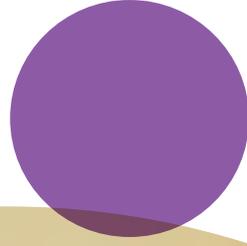
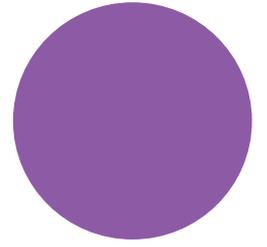
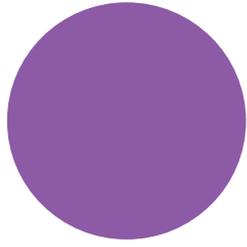
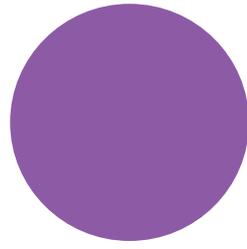
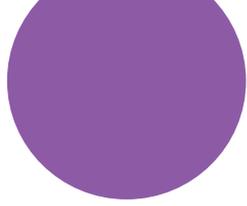
2020 was a net movement in funds of £1,141k after actuarial gains on the defined benefit pension scheme of £2,594k (2019: net movement in funds of £4,608k after actuarial gains of £2,137k).

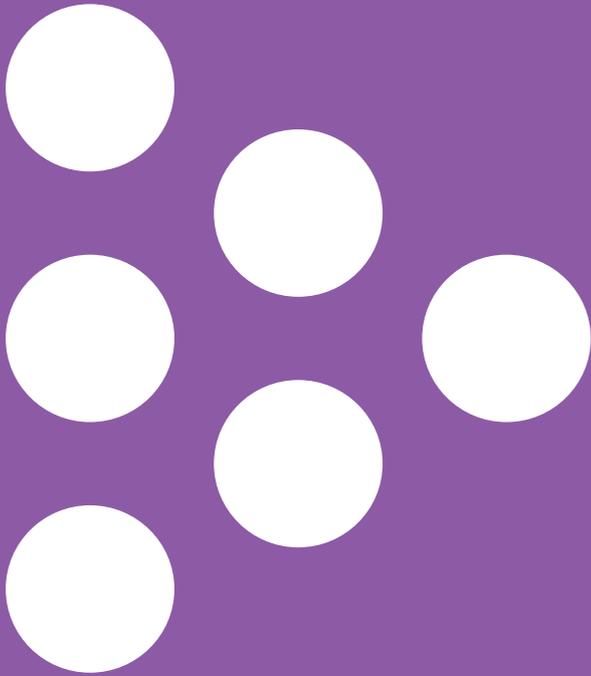
21. Related party transactions

The parent company has related party transactions that need to be disclosed under FRS102 section 9.

	2020	2019
	£'000	£'000
Balance between parent company and NFER Trading Ltd	616	1,205
Inter-company recharge of expenses during the year	394	1,260

There are no other related party transactions.





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