

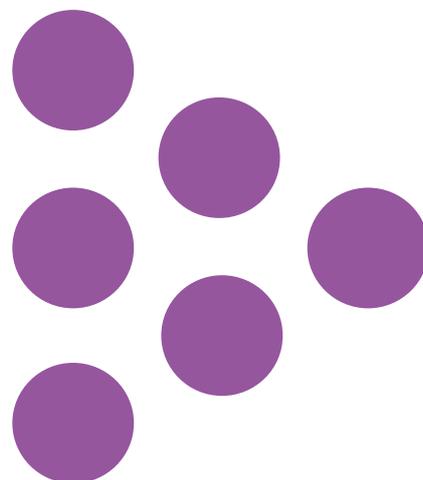
2018



Report of the Trustees and financial statements

Year ended 31 March 2018

National Foundation for Educational Research (NFER)



Contents

Officers and members of the Board of Trustees	3
Members of the Foundation.....	4
Administrative details.....	5
Report of the Board of Trustees.....	6
Statement of the Trustees' responsibilities.....	15
Independent auditor's report.....	16
Consolidated statement of financial activities.....	20
Group and Company balance sheets.....	21
Consolidated statement of cash flows.....	22
Notes to the financial statements.....	23

Officers and members of the Board of Trustees

President	Sir Jim Rose, CBE, FRSA
Vice President	Ms A J Shaw, MA (Hons)
Board of Trustees	
Chair	Ms J L Cocking, BA (Hons) (1) (2) (3)
Treasurer	Mr N Hollister, MA (Hons), Cantab (1) (3)
Trustees	Mr I Bauckham, CBE, MA (Hons) Cantab, MA Mr R D C Bunker, MA (retired 01 May 2017) Ms F Capstick, MBA (<i>appointed 18 July 2018</i>) Professor M Day, BA (Hons), PGCE, PhD (<i>appointed 31 January 2018</i>) Ms S Douglas, BA (QTS) Hons (<i>appointed 31 January 2018</i>) Ms H Ghantiwala, BA (Hons), MA, Solicitor (<i>appointed 31 January 2018</i>) Mr C H J Green, BA (Hons), CQSW, MBA (retired 28 November 2017) Mr N Hillman, BA (Hons), PGCE, MA (<i>appointed 31 January 2018</i>) Mr M Keen, MA, FCA, (1)(2)(3)(4) Mr S Macdonald, BA (Hons), Solicitor (3)(4) Mr D Madoc-Jones, BA (Hons) (<i>appointed 18 July 2018</i>) Mr A F N Parker, BA, MA(ed), MinstLM (retired 28 November 2017) 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

All serving Trustees listed above

All local authorities in England and Wales

Local authority associations and committees

Local Government Association

Welsh Local Government Association

WJEC

National Associations of Teachers

Association of School and College Leaders

National Association of Head Teachers

Universities, university colleges and university institutions

University of Chester

UCL Institute of Education

The University of Manchester

Other educational bodies

Assessment and Qualifications Alliance

Association for Science Education

Cambridge Assessment

Children's Education Advisory Service

Prospect

Individual Members

Hon. Life members

Mr J A Barnes, CBE MA Med FCP CIPD Hon FCGI

Sir Jim Rose, CBE FRSA (also NFER President)

Prof. M Skilbeck, MA PhD

Dr S Hegarty

Mrs S Rossiter

Administrative details for the year ended 31 March 2018

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	Kingston Smith LLP, The Shipping Building, The Old Vinyl Factory, Blyth Road, Hayes, London UB3 1HA
Bankers	National Westminster Bank plc, c/o Royal Bank of Scotland plc, (as agents) Corporate Banking, 3 rd Floor, Cavell House, Charing Cross Road, London WC2H 0NN
Solicitors	Bates Wells Braithwaite London LLP 2–6 Cannon Street London EC4M 6YH
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 during the year comprised:

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

Ms M Charles BSc, PGCE

Dr L Duff PhD, MSc, BSc

Ms M Wheeler, BA (Hons)

Mr R Birkett MA, (Hons), ACA

Company Secretary: Mr R Birkett

Report of the Board of Trustees

for the year ended 31 March 2018

The Board presents this annual Trustees' report and the audited accounts for the year ended 31 March 2018 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 2017. It is also a charity registered with the Charity Commission for England and Wales (the Charity Commission).

Our members comprise all Local Authorities in England and Wales with responsibility for children's services, other educational establishments, teaching professional bodies and some individual members, including the Trustees.

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 educational ideas and information. We also create educational 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.

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.

Structure, governance and management

Appointment of Trustees

As set out in the Articles of Association, all Trustees are elected by the membership at the Annual General Meeting. The Trustees have the power to co-opt additional individuals to fill any vacancies between Annual General Meetings. All co-opted members must submit to election at their first AGM. The Trustees conduct an annual review of skills required and use this review to inform the recruitment of future Trustees.

Trustee induction, training and continued support

All newly nominated or elected 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, all 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 oversee specific business matters.

Related parties

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

The strategic report

Highlights of our progress this year

- We maintained our recently increased level of income, enabling us to continue to invest in increasing the impact of our research and educational resources on the education sector.
- In spring 2018, we launched our new website and brand as part of a wider strategy to raise awareness of our research and expertise in order to increase its use and impact.
- Our teams worked on more than 100 funded projects over the year for a growing number of clients.
- Our range of resources for school leaders was downloaded more than 2,500 times.
- Our work on teacher supply during the year was particularly influential, informing both policy makers and practitioners of the challenges of teacher recruitment and retention, and offering recommendations on how to tackle them.
- We have continued to invest in our own research on key topics in education to inform debate and action, including reports on school funding, University Technical Colleges (UTCs) and head teacher retention.
- We successfully carried out the first National Reference Test for secondary schools in England on behalf of Ofqual, providing a benchmark against which to compare the performance of GCSE cohorts for future years.
- We were named as the preferred supplier to develop, trial and deliver the Department for Education (DfE's) new reception baseline assessment, a robust, reliable and child-friendly assessment that will become part of the primary accountability system.
- Our educational resources were more popular than ever this year, including our growing suite of robust assessments in the primary sector – schools value the information these assessments provide to support teaching and learning.

It has been another busy and exciting year for NFER, analysing a wide range of important issues across the education sector and working with key stakeholders to help ensure that the results of our independent and robust research are used to improve education.

This year our work explored the important challenges of social mobility, teacher retention and recruitment, school funding, free schools, and issues related to assessment and accountability. We extended our influence in different areas of policy and practice, and our partnerships with key sector organisations helped us to achieve greater impact. Our assessment resources for schools are supporting practitioners directly by providing them with a robust means of assessing children's learning needs, informing teaching practice, and enabling them to monitor children's progress.

In order to increase our influence, we are now focusing our research and stakeholder engagement on eight priority areas – accountability, assessment, classroom practice, education to employment, the school workforce, school funding, social mobility, and systems and structures. We will be reporting our principal findings on these topics each year through our annual Impact Review.

This year, we have stepped up our work on raising our visibility in order to increase the impact of our work. We have been more proactive in identifying opportunities to raise awareness of our research and insights, and have launched a new brand and website. The new website – attracting more than 50,000 unique visitors every month – makes it easier for schools and other education stakeholders to access our free research and insights on key topics and, along with our new brand, signals a fresh approach whilst reminding people of the value and impact of what we do.

Our reputation as an important provider of evidence on education issues and our influence on policy and practice, have been endorsed by our stakeholders in a recent survey: over 80% confirmed that NFER's services impacted positively on them or their organisation.

Despite the ongoing financial constraints on the education system as a whole we successfully managed to maintain our income at a similar level to 2016-17 (£17.7m in 2017-18 compared to £17.8 million in 2016-17). This will ensure we are able to continue to invest in education research and resources where we believe we can make the greatest impact.

Achievements and performance 2017-18

Influencing policy

During the year we have been extending our influence in different areas of education policy. We used our independent voice, together with our robust evidence base, to contribute written and oral evidence to several Commons Select Committee and Department for Education (DfE) consultations. This included DfE consultations on *Primary assessment in England* and *Strengthening Qualified Teacher Status (QTS) and Improving Career Progression for Teachers*; the Welsh government consultation: *School workforce data collection in Wales*; and the Education Committee: *Supply of teachers inquiry*.

Our ground breaking research into the recruitment, development and retention of teachers and school leaders, one of the most important challenges facing the education sector, is leading the field. We highlighted the long hours that teachers work compared to other sectors and the extent to which this is contributing to falling retention rates. This has informed the government's focus on tackling teacher workload in schools and on creating more flexible working opportunities, particularly in secondary schools.

Our review of the evidence base in the important area of school funding discusses the potential impact of the National Funding Formula (NFF) on schools in England in its implementation phase up to 2019/20. This research provided evidence for policymakers and schools ahead of the government's NFF for schools introduction in April 2018.

We have also contributed to the evidence base around social mobility. Our work evaluating the government's new Opportunity Areas programme showcases examples of promising practice and reviews the government's delivery plans. Our work with the Sutton Trust identified how difficult it is for disadvantaged children to get a place at a high performing comprehensive school, and called for urgent changes to the Schools Admissions Code to address this shortfall. This was widely reported and generated discussion across the sector.

NFER has partnered with the International Association for the Evaluation of Educational Achievement (IEA) and the Organisation for Economic Co-operation and Development (OECD) in the design and delivery of a wide range of international studies. Our work this year included preparing for delivery of PISA 2018 (the Programme for International Student Assessment) in England, Wales, Northern Ireland and Scotland, and delivery of PIRLS 2016 (the Progress in International Reading Literacy Study) in Northern Ireland. We are also piloting and delivering the OECD's new ground breaking International Early Learning and Child Wellbeing study for the Department for Education (DfE). It will provide evidence that can improve children's early learning outcomes and overall well-being.

An important and integral part of our research programme is the development and use of rigorous approaches to assessment. The robust measurement of children's skills and knowledge is critical to enabling the proper evaluation of education initiatives, as well as forming the basis for understanding where there are gaps in learning which might be addressed through teaching or other kinds of intervention. NFER has been at the forefront of developing high quality assessments for over 70 years.

Influencing practice

We work closely with teachers and school leaders in conducting our research and evaluations and make the evidence from our research freely available. NFER experts authored over 20 features in key education sector journals during the year, making our research more accessible to practitioners. Our range of free resources for school leaders were downloaded more than 2,500 times.

Our Education Trials Unit continued its work using randomised control trials to explore the effectiveness of different classroom interventions. During the year we worked on projects for the Education Endowment Foundation, the Money Charity, the Centre for Educational Neuroscience and Families and Schools Together (FAST), supporting teachers with evidence to inform their decision-making.

Use of our educational resources increased again this year, reflecting their value to schools. In particular, we have expanded our range of high quality assessments for primary schools. The use of robust assessment is integral to effective teaching and learning and our assessments enable teachers to better measure the attainment of their pupils and inform the next steps in teaching. Our range of optional tests now covers years 1 to 5 following the launch of spring term tests in Key Stage 2 to complement our summer and autumn term tests, and the development of new Key Stage 1 materials. Teachers are able to use this suite of resources to monitor how their children are developing over time

in relation to key areas of the curriculum, relative to a nationally representative sample of children. These resources are developed using our extensive experience and expertise in assessment and are thoroughly trialled with schools before they are released.

We are committed to supporting schools in the effective application and use of high quality assessments through various tools and resources. During 2018 we are launching a new “Assessment Hub” with easily accessible information and freely available guides for practitioners, as well as offering a new Analysis Tool to enable schools to analyse the data from our assessments to better understand their pupils’ performance and inform their practice.

Our assessment expertise has been reflected in our delivery of the first National Reference Test in secondary schools, a large and ambitious project for the Office of Qualifications and Examinations Regulation (Ofqual). The test, developed and trialled by NFER, is designed to provide evidence of whether performance standards in GCSE English language and mathematics are improving. The 2017 test established a baseline against which changes in performance in future years can be measured. As the year came to an end, NFER was selected by the DfE as the preferred supplier for the new statutory reception baseline assessment and planning got underway.

University technical colleges have increasingly become part of the schools landscape and, whilst there has been significant public criticism, there was little research to understand them. NFER addressed this gap by conducting our own research to examine the emerging data to assess the characteristics of their pupils and their performance. This was followed by the first evaluation of UTC approaches to curriculum design and employer engagement.

Looking ahead to 2018-19 and beyond

We will continue to develop and deliver the next steps in our strategy to ensure robust evidence and insights are used to improve education policy and practice. In 2018-19 we will have a particular focus on:

- Raising our visibility to ensure NFER continues to be regarded as a key source of robust, independent, education expertise, advice and comment, and that the results of our work are used in policy and practice.
- Spearheading assessment development and research, and developing our expertise and portfolio of work in e-assessment.
- Undertaking more of our own research projects on key issues affecting education policy and practice.
- Continuing to develop relationships with stakeholders across the education system.
- Diversifying our client base and exploring opportunities to use our expertise and skills to support education systems in other countries.

We will seek to increase the quality and value of our work, focusing on what our clients, and the users of our research and expertise, require. This will include continuing to strengthen our Quality Assurance methods, building on our successful certification of ISO 27001 (the international information security management standard), and fully complying with the new General Data Protection Regulation (GDPR).

We will continue to invest in providing a positive and motivational environment for our employees. This will include providing opportunities for learning and development to enable staff to achieve the organisation’s business goals. We will communicate regularly on the company’s progress through staff briefings and our intranet. We will also listen carefully to our staff through staff surveys, which provide feedback on staff engagement and satisfaction with working life and enable us to identify areas for improvement.

Risk management

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 are summarised below.

- Attracting and retaining high quality staff with the right skills to deliver our robust research and high quality educational resources. We are enhancing our staffing model by expanding our Associate team, continuing to sponsor our graduate and apprenticeship programmes and developing new ways to recruit and retain high quality staff.
- Securing sufficient income in order to continue to meet our charitable aims, providing insights that make a positive difference to education policy and practice. We are strengthening our position by continuing to innovate and develop our methodological approaches and by diversifying our client base, whilst maintaining the positive reputation of NFER.
- Successful delivery of a growing number of large scale and high profile projects. We have implemented enhanced governance arrangements for larger projects, along with a refreshed project management approach, and careful communication strategies to set out the evidence base for our work.
- Ensuring that the security of our information continues to be maintained by safeguarding the integrity of our systems and data through careful management of information security risks in line with our ISO 27001 certification and Cyber Essentials Plus status, and through investing in business resilience and continuity.

The ongoing negotiations regarding the UK's departure from the EU and the uncertainties surrounding their possible outcome is creating uncertainty 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 continue to recruit and retain high quality staff from other countries through the use of a Home Office Sponsor 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 (seven years remaining at 31 March 2018), 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 settlement of the outstanding amount.

Qualifying indemnity insurance

The charitable company has granted an indemnity to its Directors 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 held its overall level of income steady this year, generating total revenues of £17.7m for the year (2016-17: £17.8m). Income from contracted research decreased to £12.1m (2016-17: £13.2m) whereas income from sales of our educational resources increased by 25% to £5.0m (2016-17: £4.0m). A net surplus on charitable activities of £0.8m was achieved, compared to a net surplus on charitable activities of £2.1m last year.

The investment portfolio has generated an increased level of dividend and interest income at £607k, (2016-17: £526k). The value of the portfolio at 31 March 2018 has been maintained at £20.9m (2017: £20.9m) having experienced considerable market fluctuations during the course of the year.

Interest costs incurred on the mortgage are slightly lower this year, at £165k, compared to last year (2016-17: £182k). In addition, in accordance with the requirements of FRS102, an interest charge on the pension deficit has been calculated at £689k. The equivalent figure for the prior year was £695k.

Overall, the organisation generated a total net surplus for the year of £544k as compared to £4,273k in 2016-17. This reflects the combination of a surplus on our charitable activities and minimal movement in the value of our investments. In 2016-17 NFER experienced a surplus on charitable activities, combined with a significant increase in the value of the investment portfolio.

The FRS 102 actuarial gains reported for this year amount to £2.0m and contrast markedly with the actuarial loss in 2016-17 of £5.9m. The result of this actuarial gain is a decrease in the net pension deficit from £24.5m in 2017 to £22.8m at the year end. The overall net movement of funds for the year, after these actuarial gains, amounted to £2.6m, which gives NFER total reserves of £8.0m at the end of the year, compared to £5.5m at the end of last year.

The charity's only active subsidiary, NFER Trading Limited, made an operating profit of £1k (2016-17: £16k) and is to remit £1k to the parent by way of Gift Aid (2016-17: £16k). The revenue of £421k (2016-17: £265k) has increased as a result of the signing of several new contracts to be delivered by 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 2018, the NFER's total group reserves stood at £8.0m (2017: £5.5m). This is composed of:

Designated fixed assets reserve	£6.1m	See Note 11
Pension reserve	(£22.8m)	Actuarial valuation of pension deficit
Unrestricted reserves	£24.7m	To allow the charity to manage challenges and opportunities
Total reserves	<u>£8.0m</u>	

The Trustees' strategy in future years is to build up the free reserves of the charity, which currently stand at approximately £2m, to achieve a value within the target range, taking into account the expected value of the pension settlement.

Investment policy

NFER's policy on investments can be summarised as being: to maximise income commensurate with maintaining the capital value of the investments at least in line with market indices and, over the long term (any period of five years), to exceed the rise in the retail price index. 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 figure of 4.25% 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 and thereby mitigate 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 was maintained at £20.9m (2016-17: increase of £2.6m). Neither of the investment managers met the investment objectives of exceeding RPI, as set out above, due to market conditions. However, the performance of the portfolios managed by the investment managers were both in line with the bespoke benchmarks set for the period.

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.

Pension schemes

During the year, the NFER participated in two pension schemes: its own defined contribution pension scheme independently run by Pan Trustees Ltd 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.

Equal opportunities and remuneration policies

NFER is committed 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; relevant training is provided to those involved in decision making in all these areas. 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.

During the year, NFER reported on the gender pay gap for the company calculated using the 2017 Regulations and the Equality Act 2010. The median pay gap for the company calculated as at 5 April 2017 was +3.0% in favour of males as compared to the national average as at that date of +18.4%. The mean average for NFER at the same date was -4.0% in favour of females. The figures suggest that gender pay is broadly 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 it requires to meet its aims and objectives, making it important to be able to offer a competitive salary.

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 a number of similar 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 Federated Retirement Savings Plan (FRSP) – NFER Section Pension Scheme 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 organisation. There is no fee payable in respect of appointment as a Trustee; Trustees are entitled to reimbursement for any reasonable out-of-pocket expenses.

Future developments

The Trustees remain positive about the organisation's market position and progress. NFER will continue to seek to develop activities that serve the field of education through research, assessment and dissemination, and through optimising the range of educational resources that it offers to schools. The direction of these activities will be informed by independent market research and business analysis.

Auditors

The Trustees of the Charity are in the process of selecting auditors for the Group. The outcome of the tendering process will be reported to members of the Charity for approval at its AGM on 28 November 2018.

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 FRS 102, 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.

The Trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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:

The Mere
Upton Park
Slough
Berks
SL1 2DQ

J L Cocking
Chair



17 October 2018

Independent auditor's report to the Members of the National Foundation for Educational Research in England and Wales

Opinion

We have audited the financial statements of the National Foundation for Educational Research in England and Wales for the year ended 31 March 2018 which comprise the Consolidated Statement of Financial Activities, the Group and Parent Charitable Company Balance Sheets, the Consolidated Cash Flow Statement and the related 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 (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102.

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent charitable company's affairs as at 31 March 2018 and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006

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 charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

- the Trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's and parent charitable company's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the financial statements are authorised for issue.

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are

required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the Trustees' annual report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the Trustees' annual report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the group and parent charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Trustees' annual report.

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

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

Responsibilities of Trustees

As explained more fully in the Trustees' responsibilities statement set out on page 15, 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 and 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 parent charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISAs (UK) we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the group and parent charitable company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trustees.
- Conclude on the appropriateness of the Trustees' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group and parent charitable company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group or parent charitable company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit report.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during 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 which 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 any party other than the charitable company and charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Kingston Smith LLP

Mahmood Ramji (Senior Statutory Auditor)

For and on behalf of Kingston Smith LLP, Statutory Auditor

The Shipping Building
The Old Vinyl Factory
Blyth Road
Hayes
London

UB3 1HA

25 October 2018

Consolidated statement of financial activities

(including income and expenditure account and statement of recognised gains and losses) for the year ended 31 March 2018

	Notes	2017-18 £'000	2016-17 £'000
Income from:			
Charitable activities	4(a)	17,106	17,217
Other trading activities			-
Investments	4(b)	607	526
Other	4(c)	7	10
Total		17,720	17,753
Expenditure on:			
Investment Management		95	57
Charitable activities	5(b)	16,308	15,167
Mortgage Interest		165	182
Net interest and admin expenses on defined pension liability	18(d)	689	695
Total		17,257	16,101
Net gains/(losses) on investments		81	2,621
Net income		544	4,273
Other recognised gains/(losses):			
Actuarial gains/(losses) on defined benefit pension schemes	18(f)	2,017	(5,857)
Net movement in funds		2,561	(1,584)
Reconciliation of funds:			
Total funds brought forward		5,486	7,070
Total funds carried forward		8,047	5,486

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 2018

	Note	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
Fixed Assets:					
Intangible Assets	11	116	39	116	39
Tangible Assets	11	5,955	6,097	5,955	6,097
Investments	12	20,950	20,960	20,950	20,960
Total Fixed Assets		27,021	27,096	27,021	27,096
Current Assets:					
Stocks: finished goods		436	344	436	344
Debtors	15	3,793	3,428	3,771	3,396
Cash at bank and in hand		4,548	5,242	4,548	5,242
Total Current Assets		8,777	9,014	8,755	8,982
Liabilities:					
Creditors: Amounts falling due within one year	16	(2,546)	(3,353)	(2,536)	(3,333)
Net current assets		6,231	5,661	6,219	5,649
Total assets less current liabilities		33,252	32,757	33,240	32,745
Creditors: Amounts falling due after more than one year	16	(2,417)	(2,729)	(2,417)	(2,729)
Net assets excluding pension liability		30,835	30,028	30,823	30,016
Defined benefit pension scheme liability	18	(22,788)	(24,542)	(22,788)	(24,542)
Total net assets		8,047	5,486	8,035	5,474
The funds of the charity: unrestricted					
Designated Funds	19	6,071	6,136	6,071	6,136
Free Reserves	19	24,764	23,892	24,752	23,880
Pension reserve	19	(22,788)	(24,542)	(22,788)	(24,542)
Total unrestricted and charity funds		8,047	5,486	8,035	5,474

The financial statements on pages 20 to 45 were approved and authorised for issue by the Board of Directors on 17 October 2018 and signed on its behalf by

J L Cocking
Chair



Company number 00900899

Consolidated statement of cash flows

for the year ended 31 March 2018

	Note	2018-17	2016-17
		£'000	£'000
Cash flows from operating activities	20(a)	(803)	874
Cash flows from investing activities			
Dividends, interest and rents from investments		607	526
Purchase of fixed assets		(240)	(201)
Proceeds from sale of investments		2,804	5,075
Purchase of investments		(2,753)	(5,160)
Movement in cash held for investment		40	165
Net cash provided by investing activities		458	405
Cash flows from financing activities			
Repayments of borrowing		(297)	(280)
Net cash used in financing activities		(297)	(280)
Change in cash and cash equivalents in the reporting period		(642)	999
Cash and cash equivalents at the beginning of the reporting period		5,242	4,144
Effect of foreign exchange rate changes on cash and cash equivalents		(52)	99
Cash and cash equivalents at the end of the reporting period	20(b)	4,548	5,242

Notes to the financial statements

for the year ended 31 March 2018

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) 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.

c) Expenditure

Direct charitable expenditure relates to salaries and expenditure directly incurred in the delivery of contracted research, educational services, and related products. 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.

d) 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.

e) 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.

f) Investments

Investments are stated in the balance sheet at market value.

g) Stock: finished goods

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

h) 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.

i) 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.

j) 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.

k) 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.

l) 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.

m) Going concern

The Trustees have determined that 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.

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	2018	2017
	£'000	£'000
Research	12,069	13,170
Educational Resources	5,037	4,047
	<u>17,106</u>	<u>17,217</u>

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 customers 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 and Analysis and Marking Service.

b) Investment income	2018	2017
	£'000	£'000
From listed investments	577	522
Interest on cash deposits	30	4
	<u>607</u>	<u>526</u>

c) Other

This comprises rent receivable including service charges and secondment related income.

5. Resources expended

a) Raising funds

These represent the fees charged by NFER's investment managers.

b) Charitable activities

	Direct salaries	Direct costs	Support costs	Group	
				2018	2017
				Total	Total
	£'000	£'000	£'000	£'000	£'000
Research	5,572	3,045	4,209	12,826	12,408
Educational resources	881	1,362	665	2,908	2,203
Educational Resource development	281	81	212	574	556
Total	<u>6,734</u>	<u>4,488</u>	<u>5,086</u>	<u>16,308</u>	<u>15,167</u>

6. Costs included in charitable activities

Support costs	Group	
	2018	2017
	£'000	£'000
Salary and pension costs	3,219	2,541
Recruitment and other staff costs	529	358
Property and office costs	509	390
Consultancy	158	186
Marketing	240	182
Depreciation	278	277
Amortisation	26	25
Exchange losses/(gains)*	46	(113)
Governance (see Note 7)	81	86
*Including transactional gains	<u>5,086</u>	<u>3,932</u>

7. Governance costs

Governance costs	Group	
	2018 £'000	2017 £'000
Board and Board Committee expenses	6	5
Audit and legal fees	37	40
Insurance	38	41
	81	86

8. Surplus on ordinary activities

The surplus on ordinary activities is stated after charging:

	Group	
	2018 £'000	2017 £'000
Auditor's remuneration (incl. VAT)		
– as auditors	23	28
– for other services	2	9
Depreciation and amortisation	304	302
Operating lease rentals – land and buildings	26	31

9. Employees

Staff costs during the year:

	Group	
	2018 £'000	2017 £'000
Wages and salaries	8,770	8,121
Social security costs	713	649
Defined contribution pension costs	682	618
	10,165	9,388

The average number employed (excluding the Trustees) during the year was:

Group and Company	2018		2017	
	FTE	Head count	FTE	Head count
Permanent staff	184	206	169	189
Temporary staff	62	249	73	287
	246	455	242	476
Research staff	162	239	148	215
Other staff	84	216	94	261
	246	455	242	476

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 five (2017: five) members of the Senior Management Team received total remuneration of £578k (2017: £542k) comprising both annual salary and pension contributions.

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

	2018	2017
	Number	Number
£60,001–£70,000	5	4
£70,001– £80,000	1	2
£80,001– £90,000	3	2
£100,001–£110,000	1	1
£120,001–£130,000	1	1

The number of higher paid staff to whom retirement benefits are paid into defined contribution pension schemes was 11 (2017: 10). The total contribution in respect of these employees was £91,692 (2017 £87,392).

The charity made no redundancy or termination payments during the year (2017: £Nil). Redundancy and termination benefits are given in accordance with statutory entitlement laid down in existing legislation, based on age and length of service at the time of termination.

10. Members of the Board

Trustees' expenses consisted of travel and subsistence costs to seven Trustees (2017: 11) which amounted to £2,681 (2017: £2,686).

During the year, insurance costing £3,640 (2017: £3,575) 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 defaults of its Board, officers or staff.

11. Intangible and Tangible fixed assets

Intangible Fixed Assets Group & Company	IT Software
	£'000
Cost	
1 April 2017	136
Additions in year	93
Disposals	(80)
31st March 2018	149
Amortisation	
1st April 2017	97
Charge for year	16
Disposals	(80)
31st March 2018	33
Net book amount	
31st March 2018	116
1st April 2017	39

Tangible Fixed Assets Group & Company	Land	Freehold property	IT equipment	Other equipment	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
1 April 2017	700	7,612	554	212	9,078
Additions in year	-	-	116	31	147
Disposals	-	-	(43)	-	(43)
31st March 2018	700	7,612	627	243	9,182
Depreciation and Impairment					
1st April 2017	-	2,441	414	126	2,981
Charge for year	-	153	101	34	288
Impairment charge	-	-	-	-	-
Disposals	-	-	(42)	-	(42)
31st March 2018	-	2,594	473	160	3,227
Net book amount					
31st March 2018	700	5,018	154	83	5,955
1st April 2017	700	5,171	140	86	6,097

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

	2018	2017
Listed Investments	£'000	£'000
Market value at 1 April 2017	20,489	17,782
Less: Disposals at net book value	(2,804)	(5,075)
Add: Acquisitions at cost	2,753	5,160
Net gain/(loss) on revaluation at 31 March 2018	81	2,621
Market value at 31 March 2018	20,519	20,488
Cash allocated for investment	431	472
Total Investments at 31 March 2018	20,950	20,960

Investments can be analysed as follows:

UK Investments (including cash)	13,436	14,640
Non UK Investments	7,514	6,320
	20,950	20,960

Total investment income for the year amounted to £577,000. Of this sum, £484,000 was derived from investments held in the UK and £93,000 derived from non UK investments.

The historic cost of listed investments is £15.8m (2017: £15.8m).

There are no holdings representing more than 5% of the balance.

13. Subsidiary Undertakings

a) NFER Trading Limited

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 surplus on its capital and reserves of £12,052 (2017: £12,052). Audited accounts are available at Companies House.

NFER Trading Limited's summary results were:

	2018	2017
	£'000	£'000
Sales	421	265
Cost of sales	(296)	(146)
Gross profit	<u>125</u>	<u>119</u>
Administrative expenses	(124)	(102)
Interest received	-	-
Trading profit	<u>1</u>	<u>17</u>
Gift Aid	(1)	(17)
Corporation tax	<u>-</u>	<u>-</u>
Retained profit after tax	<u>-</u>	<u>-</u>
	2018	2017
	£'000	£'000
Debtors & Cash	122	122
Creditors & Other Liabilities	(110)	(110)
Capital & Reserves	<u>12</u>	<u>12</u>

b) Futurelab Education Limited

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

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

14. Financial instruments

	Group		Company	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Carrying amount of financial assets				
Debt instruments measured at amortised cost	3,616	3,135	3,623	3,150
Investments measured at fair value through statement of financial activities	20,950	20,960	20,950	20,960
	<u>24,566</u>	<u>24,095</u>	<u>24,573</u>	<u>24,110</u>
Carrying amount of financial liabilities				
Trade creditors and accruals measured at amortised cost	923	1,302	916	1,294
Bank loan measured at amortised cost	2,730	3,027	2,730	3,027
	<u>3,653</u>	<u>4,329</u>	<u>3,646</u>	<u>4,321</u>

15. Debtors

	Group		Company	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Trade debtors	2,141	1,669	2,137	1,669
Other debtors	135	141	135	141
Prepayments	148	247	148	247
Amounts recoverable on contracts	1,340	1,325	1,253	1,247
VAT Debtor	29	46	-	-
Subsidiary undertakings	-	-	98	92
	<u>3,793</u>	<u>3,428</u>	<u>3,771</u>	<u>3,396</u>

Trade debtors are stated after provisions for impairment of £140k (2017: £206k).

16. Creditors

	Group		Company	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
<i>Amounts falling due within one year:</i>				
Mortgage loan	313	297	313	297
Provision for pensions	3	3	3	3
Trade creditors	357	381	357	380
Other taxation and social security	342	403	342	403
Deferred income and payments on account	968	1,351	965	1,339
Accruals	563	918	556	911
	2,546	3,353	2,536	3,333
<i>Amounts falling due after more than 1 year:</i>				
Mortgage Loan	2,417	2,729	2,417	2,729
	2,417	2,729	2,417	2,729

The mortgage loan represents the amount drawn against the 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 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 2018 was 32.8% (2017: 36.4%)

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.

	2018	2017
	£'000	£'000
Within one year	313	297
Between two and five years	1,447	1,367
More than 5 years	969	1,362
Total	2,729	3,026

17. Guarantees and other financial commitments

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

Group and Company	2018	2018	2017	2017
	Land and Buildings	Other	Land and Buildings	Other
	£'000	£'000	£'000	£'000
Expiring:				
Within one year	29	11	25	10
Between two to five years	13	18	6	14
	42	29	31	24

18. Pension benefits

As at 31 March 2018, 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.

The most recent review of the scheme for which information is available was carried out as at March 2012 and was published in June 2014. This reported that future liabilities of the scheme (pensions currently in payment and the estimated cost of future benefits) amounted to £191.5billion. The value of the assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) was £176.6billion. The assumed real rate of return is 3.5% in excess of the prices up to March 2011, 3.0% thereafter. The rate of real earnings growth has been assumed at a lower rate than the previous rate of 1.5%, due to the effect of pay restraint policy applied to public service workers. The assumed gross rate of return is 5.06% (previously 6.5%)

18. Pension benefits (continued)

Contribution rates have been set at an employer contribution rate of 16.48% (previously 14.1%) and at employee rates ranging from 7.4% to 11.7%, depending on salary levels (previously all 6.4%).

The next valuation of the TPS is currently underway based on April 2016 data, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 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.

Buckinghamshire County Council Pension Fund

The Buckinghamshire County Council Pension Fund 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 Buckinghamshire County Council Pension Fund (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. A final exit payment, if required, will be made after the end of the period.

The contributions to the Buckinghamshire County Council Pension Fund 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 2016 (the next valuation is due in 2019) showed that the market value of the total fund's assets was £2,203m (2013: £1,768m) and the deficiency of liabilities accrued up to 31 March 2016 over the actuarial value of assets was £335 million (2013: £388m), equivalent to an 87% (2013: 83%) funding level.

At 31 March 2016 there were 0 (2013:0) active members of the scheme, with 300 (2013: 325) deferred pensioners and 170 (2013: 154) pensioners.

The actuarial valuation has been updated on an approximate basis to 31 March 2018 as set out below.

a) Assumptions

i) Demographic

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

	Retiring today (March 2018)	Retiring in 20 years (March 2038)
	Years	Years
Males	24.0	26.2
Females	26.1	28.4

18. Pension benefits (continued)

ii) Financial

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

	At 31 March 2018	At 31 March 2017
Price increases (RPI)	3.4%	3.5%
Price increases (CPI)	2.4%	2.6%
Rate of increase in salaries	2.35%	2.6%
Rate of increase in pensions	2.35%	2.6%
Discount rate	2.55%	2.7%

b) Assets in the scheme and expected rate of return

	Value at 31 March 2018	Value at 31 March 2017
	£'000	£'000
Equities	18,938	18,606
Property	2,419	2,519
Gilts	3,063	3,892
Other Bonds	4,374	4,039
Cash	1,283	1,121
Alternative Assets	358	397
Hedge Funds	1,592	1,203
Absolute Return Portfolio	1,567	1,230
Total	33,594	33,007

c) Net pension liability

	As at 31 March 2018	As at 31 March 2017
	£'000	£'000
Present value of funded obligations	56,352	57,516
Fair value of scheme assets (bid value)	(33,594)	(33,007)
Net liability	22,758	24,509
Present value of unfunded obligation	30	33
Net Liability in Balance Sheet	22,788	24,542

18. Pension benefits (continued)

d) Statement of financial activities costs for the year:

The amounts recognised in the statement of financial activities are:	Year to 31 March 2018 £'000	Year to 31 March 2017 £'000
Net interest on the defined liability	657	673
Interest on obligation	-	-
Expected return on scheme assets	-	-
Administration expenses	32	22
Total	689	695
Actual return on scheme assets	1,863	4,946

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 2018 £'000	Year to 31 March 2017 £'000
Opening defined benefit obligation	57,549	47,222
Interest cost	1,532	1,722
Change in financial assumptions	(1,029)	10,037
Experience loss/(gain) on defined benefit obligation	-	(69)
Estimated benefits paid net of transfers in	(1,666)	(1,359)
Unfunded pension payments	(4)	(4)
Closing defined benefit obligation	56,382	57,549

18. Pension benefits (continued)

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

	Year to 31 March 2018 £'000	Year to 31 March 2017 £'000
Opening fair value of scheme assets	33,007	28,807
Interest on assets	875	1,049
Return on assets less interest	988	3,897
Expected return on scheme assets		
Actuarial gains	-	214
Administration expenses	(32)	(23)
Contributions by employer including unfunded benefits	426	426
Estimated benefits paid net of transfers in and including unfunded benefits	(1,670)	(1,363)
Fair value of scheme assets at end of period	33,594	33,007

g) Reconciliation of opening and closing surplus

	Year to 31 March 2018 £'000	Year to 31 March 2017 £'000
Deficit at beginning of the year	(24,542)	(18,415)
Net interest on defined liability and administration expenses	(689)	(695)
Contributions by employer	426	426
Unfunded pension payments	4	4
Other finance (cost)/income	(4)	(5)
Actuarial gains/(losses)	2,017	(5,857)
Deficit at end of the year	(22,788)	(24,542)

19. Statement of movement in Reserve Funds: 1 April 2017 to 31 March 2018

Group	Designated Fixed Assets Fund	Pension Reserve Pension Liability	Free Reserve Accumulated Fund	TOTAL 2018	TOTAL 2017
Unrestricted funds	£'000	£'000	£'000	£'000	£'000
Balance brought forward at 1 April 2017	6,136	(24,542)	23,892	5,486	7,070
Net movement in resources	(65)	1,754	872	2,561	(1,584)
Transfers between funds	-	-	-	-	-
Balance carried forward at 31 March 2018	6,071	(22,788)	24,764	8,047	5,486
Represented by:					
Fixed assets	6,071	-	20,950	27,021	27,096
Current assets	-	-	8,777	8,777	9,014
Creditors falling due within one year	-	-	(2,546)	(2,546)	(3,353)
Creditors falling due after one year	-	-	(2,417)	(2,417)	(2,729)
Defined benefit pension liability	-	(22,788)	-	(22,788)	(24,542)
	6,071	(22,788)	24,764	8,047	5,486

19. Statement of movement in Reserve Funds: 1 April 2017 to 31 March 2018 (continued)

Company Unrestricted funds	Designated Fixed Assets Fund	Pension Reserve Pension Liability	Free Reserve Accumulated Fund	TOTAL 2018	TOTAL 2017
	£'000	£'000	£'000	£'000	£'000
Funds					
Balance brought forward at 1 April 2017	6,136	(24,542)	23,880	5,474	7,058
Net movement in resources	(65)	1,754	872	2,561	(1,584)
Transfers between funds	-	-	-	-	-
Balance carried forward at 31 March 2018	6,071	(22,788)	24,752	8,035	5,474
Represented by:					
Fixed assets	6,071	-	20,950	27,021	27,096
Current assets	-	-	8,755	8,755	8,982
Creditors falling due within one year	-	-	(2,536)	(2,536)	(3,333)
Creditors falling due after one year	-	-	(2,417)	(2,417)	(2,729)
Defined benefit pension liability	-	(22,788)	-	(22,788)	(24,542)
	6,071	(22,788)	24,752	8,035	5,474

19. Statement of movement in Reserve Funds: 1 April 2017 to 31 March 2018 (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 2017-18 amounts to £2.3m and £4.6m. The current level of net free reserves less the pensions reserve (see below) stands at £2m (2017: £650k).

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.

20. Notes to the cash flow statement

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

Reconciliation of net (expenditure)/income to net cash flow from operating activities

	2018	2017
	£'000	£'000
Net income for the reporting period (as per the statement of financial activities)	544	4,273
Adjustments for:		
Depreciation and amortisation charges	304	305
Gains on investments	(81)	(2,621)
Dividends, interest and rents from investments	(607)	(526)
Defined benefit pension scheme cost	689	695
Payments towards pension deficit	(426)	(426)
Exchange losses (gains) on cash balances	52	(99)
Increase in stocks	(92)	(260)
Increase/decrease in debtors	(366)	10
Decrease in creditors	(820)	(477)
Net cash (used)/provided by operating activities	(803)	874

b) Analysis of Cash and Cash Equivalents

Analysis of Cash and Cash Equivalents

	2018	2017
	£'000	£'000
Cash in hand	1,440	2,446
Notice deposits (less than 3 months)	3,108	2,796
Total cash and cash equivalents	4,548	5,242

c) Reconciliation to net funds

	2018	2017
	£ '000	£'000
Net funds at 1 April 2017 (Note 20(d))	2,216	838
(Decrease)/Increase in cash during the year	(642)	999
Cash outflow from reduction of debt	296	280
Effect of exchange rate changes on cash held in other currencies	(52)	99
Net funds at 31 March 2018 (Note 20(d))	1,818	2,216

d) Analysis of net funds

	As at 1 April 2017	Cashflows	Transfers	As at 31 March 2018
	£'000	£'000	£'000	£'000
Cash at bank	5,242	(694)	-	4,548
Debt – due within one year	(297)	296	(312)	(313)
Debt – due after more than one year	(2,729)	-	312	(2,417)
	2,216	(398)	-	1,818

21. Results of the Company

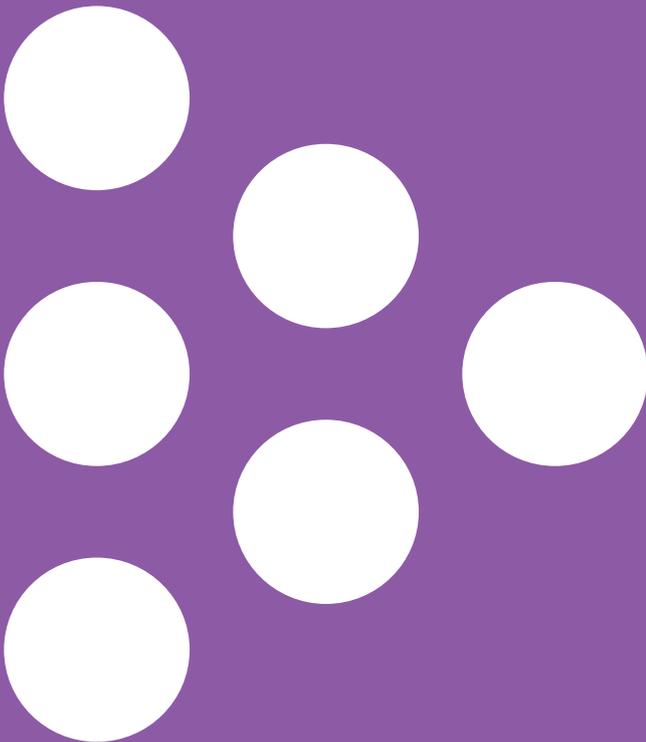
As permitted under Section 408 of the Companies Act 2006, the statement of financial activities of the company has not been presented as part of these financial statements. The results of the parent undertaking for the year ended 31 March 2018 was a net movement in funds of £2,561k after actuarial gains on the defined benefit pension scheme of £2,017k (2017: net movement in funds of £(1,584k) after actuarial losses of £5,857k).

22. Related party transactions

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

	Company	
	2018	2017
	£'000	£'000
Balance between parent company and NFER Trading Ltd	98	91
Inter company recharge of expenses during the year	296	285

Evidence for excellence in education



© National Foundation for Educational Research 2018

All rights reserved. No part of this document may be reproduced or transmitted in any form or by any means, electronic, mechanical, photocopying, or otherwise, without prior written permission of NFER.

The Mere, Upton Park, Slough, Berks SL1 2DQ
T: +44 (0)1753 574123 • F: +44 (0)1753 691632
enquiries@nfer.ac.uk

www.nfer.ac.uk

