



Report
of the
Board of
Trustees /
Directors

31 March 2007



National Foundation
for Educational Research



National Foundation for
Educational Research

Report of the Board of Trustees / Directors

31 March 2007

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31 March 2007





Richard Bunker

Introduction from the Chairman of Trustees

This has been another excellent year for NFER which has seen us broadening the range of our activities further into children's services and e-assessment. There has never been a time when expert, independent research and assessment have been more necessary, together with the dissemination of advice on successful strategies at school and local level. NFER aims to position itself as a key support agency for teachers, headteachers, local authorities and policy makers in children's services, providing help and advice based on firm evidence of what works.

We are very grateful for the expertise and commitment of our staff under the expert leadership of Sue Rossiter, our Chief Executive, and the collaboration of our many partners in England and Wales. I am delighted to present to you the Annual Report for 2006/07 and we look forward to continuing to build on these achievements in the coming years.

A handwritten signature in black ink, appearing to read 'Richard Bunker'.



Sue Rossiter

Introduction from the Chief Executive

I'm delighted that 2006/07 was such a good year for NFER. Amongst the significant successes in the year, we won work on all three large international education surveys, increased our Performance and Analysis for Schools Service to include more than 1500 schools and forged ahead with our developments in the broader Children's Services area.

Research with our clients confirms that we are a trusted source of quality, independent information that policy makers and practitioners can really use in their work. But we are far from complacent and remain committed to making even more difference with our research. During the year we tried out different formats for providing the key findings and messages in an accessible way and started to identify what more we can do to build in greater impact in future, not just for clients and practitioners but for the children and young people who they hope will benefit.

We were also successful in winning work to conduct large scale consultation exercises with children and young people – and to draw out their views in a way which can inform future service design and delivery.

Without NFER's talented and motivated staff, and the support of our key clients and partners, we could not have achieved the successes last year. My sincere thanks to them all and I look forward, with their help, to another successful year in 2007/08.

Sue Rossiter .

Officers and Members of the Board of Trustees / Directors

as at 31 March 2007

President

Sir Brian Fender CMG

Vice Presidents

Miss JEL Baird OBE, MA, FEIS

Mrs N Harrison CBE, FCP

Chairman

Mr RDC Bunker MA⁽¹⁾⁽³⁾

Treasurer and Vice Chairman

Mr DAL Whitbread MA⁽¹⁾⁽³⁾⁽⁴⁾

Mr G W Bennett, BSc⁽⁴⁾

Mrs M M Elms, JP, MA, FRSA

Ms G M Evans, BA Hons, MA, MEd⁽³⁾

Mrs E Grant, MA, MBA

Mr J W Hall, FCA⁽¹⁾⁽²⁾

Mr J C Hedger, CB, MA

Mr A F N Parker, MA, FRSA⁽¹⁾⁽²⁾

Mr R W Smerdon, MA (Oxon)⁽⁴⁾

⁽¹⁾ Remuneration Committee

⁽²⁾ Audit Committee (*one vacancy*)

⁽³⁾ Nominations Committee

⁽⁴⁾ Investment Managers Sub-Committee

Changes during the period 1 April 2006–31 March 2007

Local Government Association*

(until 30 November 2006)

Mrs E Grant, MA, MBA[‡] *(until 30 November 2006)*

Cllr R J Grant, BEd *(until 30 November 2006)*

Cllr M C Grimston *(until 21 August 2006)*

Welsh Local Government Association*

(until 30 November 2006)

Cllr DT Hardacre *(until 12 July 2006)*

Association of Teachers & Lecturers*

(until 30 November 2006)

Mr A R Gotch *(until 30 November 2006)*

National Association of Head Teachers*

(until 30 November 2006)

Mrs KE James *(until 30 November 2006)*

National Association of Schoolmasters

Union of Women Teachers*

(until 30 November 2006)

Mr D Northcott *(until 30 November 2006)*

National Union of Teachers*

(until 30 November 2006)

Mr J C Bangs, BA, BEd *(until 30 November 2006)*

Association of School and College Leaders*

(until 30 November 2006)

Mrs M M Elms, JP, MA, FRSA[‡] *(until 30 November 2006)*

Confederation of Education and Children's Services Managers*

(until 30 November 2006)

Mr A F N Parker MA, FRSA[‡] *(until 30 November 2006)*

Nominated and Appointed Members

under Article 36(c)

(until 30 November 2006)

Mr G W Bennett, BSc[°] *(until 30 November 2006)*

Ms G M Evans, BA Hons, MA, MEd[°] *(until 30 November 2006)*

Mr J W Hall, FCA[°] *(until 30 November 2006)*

Mrs N Harrison, CBE, FCP *(until 30 November 2006)*

Mr J C Hedger, CB, MA[°] *(until 30 November 2006)*

Mr R W Smerdon, MA (Oxon)[°] *(until 30 November 2006)*

* New Articles of Association were adopted by Special Resolution at the Extraordinary General Meeting held on 21 September 2006, to take effect from the Annual General Meeting held on 30 November 2006, which removed the right of these bodies to nominate and appoint trustees/directors to the Board of Trustees.

[‡] Denotes trustees/directors who were re-elected to the Board of Trustees in their own right under new Articles 46.2 and 59 at the Annual General Meeting held on 30 November 2006.

[°] Denotes trustees/directors who were elected to the Board of Trustees under new Articles 46.2 and 59 at the Annual General Meeting held on 30 November 2006.

With the reorganisation of the Board of Trustees, the Executive Committee was disbanded and met for the last time on 16 November 2006. Membership of the Executive Committee comprised:

Mr R D C Bunker, Mr D A L Whitbread, Mr A F N Parker, Mr G W Bennett, Mr J W Hall, Mr J C Hedger and Mr R W Smerdon.

Members of the Foundation

as at 31 March 2007

The Local Education Authorities in England and Wales

LEA Associations and Committees

Local Government Association
Welsh Joint Education Committee
Welsh Local Government Association

National Associations of Teachers

Association of School and College Leaders
Association of Teachers and Lecturers
National Association of Head Teachers
National Association of Schoolmasters Union of
Women Teachers
National Union of Teachers

Universities, University Institutions and Affiliates

Brighton
University College Chester
Greenwich
Keele, Leicester
London Institute of Education
Manchester, Oxford
Oxford Brookes
Reading
St Martin's College
Trinity College

Colleges of Further and Higher Education

St Mark and St John
Stranmillis

Other Educational Bodies

Assessment and Qualifications Alliance
Association for Science Education
Association of Directors of Children's Services
Association of Educational Psychologists
Association of Professionals in Education and
Children's Trusts
Cambridge Assessment
Children's Education Advisory Service
CILT – The National Centre for Languages
Edexcel Ltd
Learning and Skills Network
OCR
Qualifications and Curriculum Authority

Individual Members

Hon. Life Members

Dr R Ann Abel, MA
Miss A E Adams, MA
J A Barnes, CBE, MA, MEd, BSc, FCP, CIPD, Hon FCGI
Mrs V M Glauert, BA, FRAD
Dr S F Hegarty, BSc, HDip in Ed
J W Mansell, MEd, CEng, FIEE, MIMechE
Dr Joyce M Morris, OBE, FBPsS
Prof. M Skilbeck, MA, PhD
Prof. J Wrigley, CBE, BSc, MEd, PhD, FBPsS

Trustees

G W Bennett, BSc
R D C Bunker, MA
Mrs M M Elms, JP, MA, FRSA
Ms G M Evans
Mrs E Grant, MA, MBA
J W Hall
J C Hedger, CB
A F N Parker
R W Smerdon
D A L Whitbread, MA

General

British Council

Report of the Board of Trustees / Directors

31 March 2006

The Board presents this annual Directors' report as required by the Companies Act and the audited accounts for the year ended 31 March 2007. The information required of the trustees of the charity by the Charity Commission is also included and provides a full report on the activities for the year.

Reference and administrative details

Charity number:	313392
Company number:	900899
Principal office:	The Mere, Upton Park, Slough Berkshire SL1 2DQ
Registered office:	The Mere, Upton Park, Slough Berkshire SL1 2DQ
Auditors:	Kingston Smith LLP, Middlesex House, 800 Uxbridge Road, Hayes UB4 0RS
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:	Osborne Clarke, Apex Plaza Forbury Road, Reading RG1 1AX
Investment Managers: (Discretionary)	Schroder & Co Limited 100 Wood Street London EC2V 7ER Rensburg Sheppards Investment Managers Limited 2 Gresham Street London EC2V 7QN
Investment Manager: (Non-discretionary)	Allianz Global Investors (UK) Ltd PO Box 9031 Chelmsford CM99 2WN

Directors and trustees

The directors of the charitable company are the trustees of the charity for the purposes of charity law and throughout this report are referred to as the trustees. The trustees serving during the year are disclosed on pages 1 and 2 of this report.

Chief Executive:	Mrs Sue Rossiter
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 comprises: Mr CP Whetton Dr SM Stoney Mr AB Clark (also Secretary to the Trustees) Mrs A Milne Mrs S Cornell Mrs W Tury.

Structure, governance and management

Governing document

National Foundation for Educational Research in England and Wales (the Foundation) is a company limited by guarantee governed by its Memorandum and Articles of Association last amended on 30 November 2006. It is a registered charity with the Charity Commission. Its members comprise all local authorities in England and Wales with responsibility for the education of children, other educational establishments and teaching professional bodies. Membership is available to interested organisations and individuals on application to the Trustees.

Appointment of trustees

As set out in the Articles of Association all trustees are elected by the membership at the Annual General Meeting. The names and membership organisations are shown on pages 4 and 5 of this report. The trustees have the power to co-opt additional individuals to fill any vacancies between Annual

General Meetings at which time a co-opted member must submit to election. The trustees have recently conducted a skills audit amongst themselves and the areas of weakness have been addressed by seeking appropriate individuals.

Trustee induction and training

All newly nominated or elected trustees are invited to a half-day induction during which the working of the Foundation is explained. The new trustees meet senior members of staff and are provided with key documents including the Memorandum and Articles, the latest accounts and annual report, and recent Board minutes. Opportunities for specific training are offered on an as need basis as they arise.

Organisation

The trustees are responsible for setting the aims and direction of the Foundation, but have delegated the day-to-day management to a Chief Executive supported by a Senior Management Team (see above). Each year the Trustees approve the annual budget, and anything that is not included in that plan must be referred back to the Trustees for approval. The Board has reserved to itself the approval of all policies, and all matters relating to property. It has established specialist committees to run specific areas – namely, Investments, Audit, Remuneration and Nominations.

Related parties

The Foundation has two wholly owned subsidiaries. The first, formed in 2000, was NFER Trading Limited, whose prime role is to deliver contracts with commercial organisations. The subsidiary is also used to deliver educational research where it is known that the agency commissioning the research is able to recover its input VAT. The second, i-nfer assessment limited was formed in 2006 in order to fund research into electronic assessment. The Foundation also has a Memorandum of Understanding with Queen's University Belfast to co-operate in the delivery of educational research in Ireland through the trade name NFER at Queen's. The legal ownership is with Queen's University.

Financial instruments

It is the policy of the Foundation not to engage in complex financial instruments where there could be financial risk.

Apart from normal trade debtors, the Foundation has a 20-year mortgage on a fixed rate of interest, thereby eliminating any interest rate risk. The only area that is subject to risk is the investment portfolio, where risk is controlled by the appointment of three investment managers, the wide spread of investments and a policy to hold a proportion of the assets in bonds, property and hedge funds that are not exposed to the downside risk of equities.

Risk management

The Trustees have conducted a risk management exercise to identify all the risks to the Foundation and to assess the impact and likelihood of occurrence of each risk. Based on this analysis, Trustees have put risk mitigation policies in place. Most of the major risks are largely outside the Foundation's control. The main risks are virus attack on IT hardware and software; poor returns to research surveys; damage to reputation caused by research partner failings; becoming too political by raising our profile to make an impact. Accordingly, the Trustees are of the view that the major risks confronting the Foundation are adequately controlled at the present time. The Trustees plan to repeat the risk management exercise on an annual basis.

Objects and activities

The objects of the Foundation as set out in the Memorandum are to:

- conduct research in all or any matters affecting education;
- disseminate the results of the Foundation's research;
- collect and exchange educational ideas, especially related to research.

The purpose of the Foundation is to improve education and training in all sectors. We aim to provide trusted, high-value and independent research-based information to improve understanding in order to support better decisions and actions by both policy makers and practitioners, leading to better outcomes for the people they serve. We are keen to see that the work we do makes a real difference for people working in education and children's services, policy makers and people of all ages in education in all settings. We work both in the UK and internationally.

Report of the Board of Trustees / Directors

continued

Our main objectives for the year ended March 2007 were set in the context of our longer term ambition, which is to:

- be the **research organisation of first choice** for those policy makers, professionals and practitioners who seek to improve education, educational outcomes and well-being for children, young people and adult learners
- be known for our independent, innovative and transformational work, so that other organisations will want to work with us, safe in the knowledge that **our work makes a real difference** to the decisions they make and to the outcomes for the people they serve.

To achieve this, we plan to both broaden our focus and build new areas of strength. Two specific and challenging goals already identified to help us achieve our ambition include becoming the leading provider of:

- e-assessment tools to schools to support teaching and assessment for learning;
- research, evaluation, assessment and information services for national agencies, local authorities, schools and other clients to support their effective implementation of integrated children's services.

For 2006/07, our objectives were to achieve:

- growth in the amount of research undertaken, following several years in which income remained fairly static;
- a successful start in securing work in the broader children's services domain;
- successful completion of early aspects of our research into e-assessment and securing a professional working relationship and understanding with nferNelson as we work through the notice period prior to the termination of the longstanding legal agreements with them.

Achieving our objectives

Our strategies for achieving our main objectives are as follows:

In *conducting research in all and any matters concerning education*, we will tender in the marketplace for research and test development projects from a wide cross-section of government departments and agencies, local authorities,

charitable bodies and, as appropriate, the private sector. We will conduct a programme of research agreed with the Local Government Associations in England and Wales, and undertake selected key research projects, often in innovative areas, supported by our own funds.

In *disseminating the results of our research* we will always place results of non-confidential projects in the public domain through publishing on our website and/or publishing printed material such as books, summaries, reports and contributions to journals and magazines for circulation. In some cases, the client may disseminate the results of our research through their own publishing programme. In addition, we will inform our audiences of our research through press releases, and through presentations at conferences and seminars.

Educational information will be exchanged via EMIE at NFER (previously known as the Education Management Information Exchange) and the EURYDICE Centre in the UK, both run by the Foundation. We will also make information available through our own publishing programme, extending our reach into the area of children's services by working with partner organisations where appropriate.

The newly established Advisory Group for NFER provides a further opportunity for the interchange of educational ideas, particularly relating to research.

Significant activities

There are several significant activities that contribute to the achievement of our objectives. A few examples of these are given here.

Projects for the Department for Children, Schools and Families will provide information that will improve knowledge and help to inform policy decisions. The forward programme will cover:

- research into case studies of effective alternative provision
- continuation of the citizenship education longitudinal study
- acting as the national centre for England, Northern Ireland and Wales for the Programme for International Student Assessment (PISA) 2006

- national research coordination for the Progress in International Reading Literacy Study
- managing the Parent Governor Network
- managing the Current Educational Research in the UK (CERUK) database
- a review of the evidence of the benefits of raising the education participation age to 18.

Our research programme for the Local Government Association will enable us to conduct research crossing a number of subjects that will provide information to local authorities, policy makers and education and children's services practitioners. The forward plan includes research on:

- the role of the end user in planning children's services
- the next round of our annual survey of trends in schools
- narrowing the gap in outcomes between vulnerable groups and others
- young people's participation in decision making, which will result in a position paper and a workshop event for key players in local and central government.

Our test development programme will continue to provide well-devised and rigorously tested assessment materials for use in schools across the UK, and will investigate the use of e-assessment materials in schools.

In addition to methodological developments, our own-funded research programme will see projects including:

- presentation of summaries of relevant research projects not funded by the LGA for dissemination to local authorities, in order to meet their information needs
- an evaluation of surveys used by local authorities to measure children's wellbeing, which will result in a searchable electronic resource for use by all local authorities in England
- development of a consultation and participation package for use by local authorities and Children's Trusts
- working in partnership with other organisations, an evaluation of the early impact of integrated children's services on outcomes for children and young people.

Our EMIE at NFER information service will continue to expand its coverage in children's services, offering tailored information to Wales as well as England, and providing information and support to the new unitary authorities due to be formed in 2008. The online current awareness information and document database are increasingly complemented by EMIE workshops to support the exchange of practice and ideas between LA staff.

Achievements and performance in 2006/07

Conducting research in all or any matters affecting education

The NFER's research portfolio for 2006–07 included a wide range of projects from a number of clients. This work may be split into three funds.

Membership fund

26 research projects (21 in previous year) and services were agreed with the Local Government Associations for England and Wales and funded through the Rate Support Grant on the recommendation of the Local Government Board.

Sponsored fund

A total of 156 individual projects were funded by 54 clients (previous year was 141 projects and 58 clients). This is further divided between research (119 projects) and the development of assessment tests (37 projects).

Unrestricted fund

During the year NFER's own funds contributed to 45 individual projects for 27 clients (previous year was 66 projects for 40 clients). The fund is similarly divided between research (35 projects) and the development of assessment tests (10 projects).

In terms of our objective of growth, external income of around £15m slightly exceeded the target income of £14.76m agreed by the Board at the start of the year. This was a £2m increase on the previous year.

Report of the Board of Trustees / Directors

continued

Some examples of our research work in 2006/07 are given below.

- For the Local Government Association, we conducted our annual survey of trends in education, a rapid evidence review of community cohesion and research into Child and Adolescent Mental Health Services funding and priorities.
- Our review of Children and Young People's Plans was important in establishing the status of NFER in the newly emerging field of Children's Services, and gave credibility to our expertise as researchers to a new audience.
- We won two significant projects with Becta. One produced 23 case studies of excellent and award-winning practice of using ICT in schools and the other is a two-year project investigating the impact that home-school ICT has on pupils and families from disadvantaged backgrounds. The evaluation is being undertaken by a partnership of NFER, Queens University, Belfast and the South East Grid for Learning.
- During the year, we have worked on the contracts to develop the key stage 2 English and key stage 2 Science tests (for 11-year-olds), the English Progress Tests (for 12-year-olds) and the key stage 3 Science tests (for 14-year-olds). Each of these was taken by around 600,000 pupils in England. We also completed the development of new optional mathematics tests for 12- and 13-year-olds and the equivalent optional English tests. NFER remains the prime supplier of the high-quality tests that underpin National Assessment in England.
- NFER is the National Research Coordinator for England and Scotland for the Progress in International Reading Literacy Survey (PIRLS), which had its second survey in 2006, and for the Trends in International Mathematics and Science Survey (TIMSS), which has its sixth survey in 2007. We are also National Project Manager for the Programme for International Student Assessment (PISA) 2006 survey, run by OECD, for the countries of England, Wales and Northern Ireland.
- We developed a new set of statistical neighbours for local authorities, for use across the whole domain of children's services including use by Ofsted, and designed a computerised 'tool' for local authorities to enable them to get immediate sight of their statistical neighbours and their

comparative statistics across the whole range of children's service outcomes.

- Our Performance Analysis Service for Schools, which offers a marking and analysis service of the QCA optional tests in years 3, 4 and 5, has increased in size with more than 10 per cent of the schools in England using the service.

Looking at our objective of starting to secure work in children's services, we estimate that we had in total some £780k income from children's services projects i.e. work we would not have pursued without this specific objective. This was a better start than anticipated. Progress on e-assessment research was largely on time and within budget.

Disseminating the results of our research

The amount of dissemination that is done is one proxy measure for the impact of our work, and is measured each year. In addition to the dissemination via our website, our publishing programme and through the media, the findings of our work are also disseminated through presentations at conferences and through the assessment materials we produce (see table below).

Dissemination activity	2006-07	2005-06
Reports published by NFER	17	23
Reports published by others	41	46
Assessment materials produced	1	5
Book chapters	12	11
Research summaries	47	48
Articles published	74	80
EMIE/Eurydice reports	30	24
Other reports	67	39
Conference papers and presentations	77	123
Totals	331	433
Press coverage (no. of mentions)	351	496
Visits to our website (peak)	59,013	-

The fall in dissemination volumes, especially of conference papers and presentations, is a reflection in large part of the increased research activity in 2006/07 which was achieved with almost no change in staffing between the two years.

Collecting and exchanging educational ideas

Our information service for local authorities, EMIE at NFER, published a report on local authorities' perspectives on school organisation, which proved extremely popular with local authorities. EMIE at NFER organised a number of conferences on this important topic, attracting prestigious speakers in close partnership with the Association of Directors of Children's Services.

Our International Information Unit has been appointed as the Eurydice Unit for England, Wales and Northern Ireland for the next seven years. The contract from the Department for Children, Schools and Families runs from 1 January 2007 to 31 December 2013, and was awarded under the new European Commission Lifelong Learning Programme. The International Information Unit also works on a range of NFER projects with a cross-national dimension, and manages and develops the International Review of Curriculum and Assessment Frameworks Internet Archive (www.inca.org.uk) for the Qualifications and Curriculum Authority and the Training and Development Agency for Schools.

Factors that affect our ability to achieve our objectives

NFER owes its success to the calibre of its 260 staff. In 2006–07 NFER retained its status as an Investor in People, and remained committed to the professional development of all staff. For example, as part of a reorganisation of our research functions, we allocated specific responsibility for training and development to several members of staff, to ensure that all needs are considered and, where possible, met.

Relationships with clients remained excellent, and will improve yet further with our planned programme of seeking feedback from clients after projects have finished. The Foundation also started work in 2006/07 to set up an Advisory Group to offer comment and advice on the future direction of NFER. The group consists of policy makers and advisors at the national level, research leaders in education and children's services, managers and practitioners in higher and further education and schools, as well as representatives from a range of other organisations. The group will offer an external perspective on our work, helping to maintain its relevance to developments and issues within education, training and children's services.

The market for research is extremely competitive and NFER is one of many organisations that tender for research contracts. We believe our key differences from other organisations – which include our independence, rigour and quality, as well as the breadth of our activity, its relevance to the changing education environment and our focus on research making a difference – will help us to remain a leading provider for those who are interested in research in education and children's services.

Impact of NFER main activities

The true measure of the success of NFER's activities is in the impact it has in the educational arena. While dissemination is our effort to communicate our work, impact is the effect our work has on others. Although impact is difficult to evidence, the following gives a flavour of projects and other activities that have contributed to fulfilling NFER's mission to improve education and training. Examples of projects that have had an impact, either directly by influencing policy and practice or indirectly by dissemination to relevant audiences, include the following.

Our research into the transition from the foundation stage (children aged three to five years) to key stage 1 (children aged five to six), funded by the former DfES, provided an evidence base concerning the effectiveness of the transition. This project achieved a high profile and the feedback that the research team received suggests that the work had a significant and positive impact on practice. The government policy team said that they would use the report to inform policy development.

Our research on behaviour in Scottish schools provided a robust and independent picture of pupil behaviour in schools. The report included the views of headteachers, teachers, education authority representatives and, for the first time, additional support staff and pupils. Peter Peacock, the Scottish Minister for Education, praised the report, describing it as 'a key to open the door and allow us to move forward'. He stressed that the survey was helpful to the Scottish Executive, as it provided clear insights into what was happening in Scottish schools and raised a number of issues that would inform current policy.

Report of the Board of Trustees / Directors

continued

The new statistical model we developed for local authorities to compare and assess their performance across children's services with their statistical neighbours was funded by the former DfES and is supported by Ofsted. It will now form part of the annual performance assessment completed by every local authority. Three NFER training workshops for local authority staff were over-subscribed, as the tool was perceived to be so useful and important.

Plans for future periods

We will continue to grow our research activity, including developing more projects with and for local authorities and those working with them on the implementation of children's services. In late 2007 we will launch a consultation package for Children's Trusts, schools and others to use to gather the views of children and young people, to both monitor and plan the delivery of effective children's services.

During 2008, we will launch a number of e-assessment products for schools, with the aim of helping teachers to match their teaching to the needs of individual pupils and to assess the progress the pupils are making.

We will strengthen our links to clients, through development of closer, more strategic relationships, and be more pro-active in influencing and shaping the national research agenda. Our Advisory Group is one way in which we will collect and share ideas about what that agenda should be.

A major decision about the development of our Slough site will be needed in 2007, in anticipation of the demolition of older buildings in late 2008.

In addition, we are keen to improve and increase the impact that our work has for people in education and children's services. Our plans to increase our impact during 2007–08 include:

- publication of thematic guides to NFER research in key areas – these will provide easy-to-read digests for wide distribution both online and in print
- production of new impact pages on the NFER website to showcase areas where NFER work has made a difference
- collection of regular feedback from clients to ascertain what impact our work has already made or may make in the future.

Certainly, proving impact is difficult and measuring it is even harder. However, we are confident that, with the help of our clients, we can increase the impact our work makes on policy and practice and ultimately on the lives of young people.

Investments

The Trustees have reviewed the investment strategy in conjunction with an independent investment adviser and implemented changes to improve income yields and to provide some protection against adverse movements in stock markets. As a result of this review, the investment policy can be stated as being to maximise income commensurate with maintaining the capital value at least in line with market indices, and over the long-term, in line with the rise in average earnings. This is being achieved by:

- Delegating the management of the investments to professional managers
- Reviewing performance on a quarterly basis and meeting with the investment managers half-yearly
- Avoiding investment in overly-risky areas by the use of common investments funds, by direct investments in main markets, and by monitoring the WM Charities asset allocation
- Spreading the investment risk by using more than one discretionary investment manager
- Agreeing an annual income target with investment managers commensurate with the achievement of capital growth at least in line with market indicators
- Considering withdrawals from, and additions to, the investment portfolio on an annual basis.

No social, environmental or ethical restrictions are placed on the discretionary investment managers.

As is detailed in note 12 to the Accounts, the value of the investments has fallen from £16,126,000 in 2006 to £16,114,000 a decrease of 0.07% on the back of a cash withdrawal of £750,000. Dividend income has risen from £465,000 to £494,000, an increase of 6.2%. Clearly, since the policy was set in the previous financial year, the objectives set have been met.

Financial review of the group

The objectives of the Foundation as set out in the Memorandum have been achieved by tendering in the marketplace for research projects from a wide cross-section of government departments and agencies, local authorities and charitable bodies, conducting a programme of research agreed with the Local Government Associations in England and Wales, and undertaking from its own funds certain key fundamental research, often in innovative areas. Results of the non-confidential research are always placed into the public domain either by the sponsor or by the publication in-house of books, summaries, reports and contributions to journals and magazines.

In addition, conferences and seminars are held at which research outcomes are presented. Educational information is exchanged via EMIE at NFER and the Eurydice Centre in the UK, both run by the Foundation.

The result for the Group for the year to 31 March 2007 is shown in the attached accounts. The Group's income for the year totalled £14,867,000 (2006: £12,848,000). The main part of this income £9,112,000 (2006: £7,145,000) came from individual research projects from a variety of sponsors. Together, this research is classified as the Sponsored Research Programme. A further £1,344,000 (2006: £1,389,000) income was provided from the Revenue Support Grant to undertake research and provide services as agreed with the Local Government Associations in England and Wales and is classified as the LGA Educational Research Programme. The remaining income of £4,411,000 (2006: £4,314,000) is unrestricted income and derives from non-charitable contracts, and a variety of other sources. Any surplus income is used primarily to conduct fundamental research of the Foundation's choice and to enhance the value of dissemination by placing research reports fully in context, producing journal articles and other publications, and attendances at conferences.

With expenditure at the trading level of £13,389,000 (2006: £12,037,000), a surplus of £1,478,000 (2006: £811,000) was recorded. This surplus was further increased to £2,951,000 (2006: £3,379,000) after allowing for the gains and losses, both realised and unrealised, on investments, for mortgage interest, and for defined pension scheme FRS17 adjustment for the year.

Of particular note is the increase in turnover for the Development of Assessment Tests from £3,362,000 in 2006 to £4,996,000.

Financial position of the Foundation

The Foundation has used the funds it has received for both its Sponsored Research and its LGA Educational Research Programmes solely for the research projects included within those programmes.

In the case of the LGA Educational Research Programme (LGAR), there was an expenditure shortfall of £103,000, to leave a balance of £479,000 to be carried forward at 31 March 2007. LGAR have committed work in 2006/07 to clear this balance during 2007/08.

Funds received from a variety of sources into the Foundation's own resources were greater than the amount spent on fundamental research and enhanced dissemination of research findings in the year by £1,417,000 (2006: £570,000). The surplus was reduced by mortgage interest of £301,000 (2006: £306,000), interest on the defined pension deficit of £217,000 (2006: £364,000), but increased by gains on the disposal of tangible fixed assets and investments of £289,000 (2006: £257,000) and by the unrealised gain on investments during the year of £457,000 (2006: 2,538,000), and the actuarial gain on the defined benefit pension in the year of £1,245,000 (2006: £442,000). The resulting surplus on unrestricted funds for the year totalled £2,890,000 (2006: £3,137,000), bringing the unrestricted reserves to £15,521,000 (2006: £12,631,000). After consolidation of the result of the trading subsidiaries the unrestricted accumulated fund was £15,490,000 (2006: £12,642,000).

Policy for reserves

It is necessary for the Trustees to keep a designated reserve of £7,500,000 to meet the financial covenant relating to the mortgage. The balance of £7,990,000 (2006: £5,141,000) represents free reserves.

Trustees have earmarked these reserves for development activities, mainly e-assessment (through the newly formed subsidiary i-nfer assessment limited) and children's services to the extent of some £2,500,000. Trustees also seek to maintain reserves sufficient to fund the Foundation through a downturn in business. This has been set at £2,000,000 for 2006/07.

Report of the Board of Trustees / Directors

continued

Trustees may, at their discretion, designate other funds for specific purposes as required.

Pension deficit

The pension deficit under FRS 17 on the Local Government Pension Scheme administered by Buckinghamshire County Council has reduced in the year to £9,053,000 (2006: £9,832,000). The Trustees of the LGPS scheme have been allowed to reduce the deficit to zero over a 20 year time frame and have policies in place, or to be put in place, to achieve this. During the year, Trustees took the unusual step of questioning the actuary about the deficit, and were assured that on current plans the deficit should progressively reduce. The situation is to be reviewed again when the triennial valuation at 31 March 2007 is available in early 2008.

Future developments

The NFER will continue to seek to serve the field of education through research and dissemination. Critically, it will seek to work collaboratively with other bodies such as the Institute for Fiscal Studies, the Institute of Education and universities. During the year, an agreement with Queen's University Belfast was concluded designed to provide a long-term co-operative venture to be known as NFER at Queen's. This was ultimately launched early in the financial year and should provide further opportunities in Northern Ireland. Additionally, opportunities in the e-assessment for schools and Children's Services were researched during the year with a view to launching complementary services in the near future.

Fixed assets

An area of 277 square metres of office space is currently let at a commercial rent. All the remaining tangible fixed assets of the Foundation are used for the purposes of the charity. With the first two phases of the redevelopment of The Mere site completed in 2003/04, the opportunity of low interest rates was taken to reduce the interest on the mortgage loan by converting the loan from Nationwide Building Society to a fixed rate loan for the full 20-year term from the National Westminster Bank plc. The mortgage facility with the National Westminster Bank plc contains a financial covenant

to maintain a minimum value of investments of £7.5 million, and there is a legal charge over all the freehold property of the Foundation. The freehold property is held in the books at historic cost of £8.1 million against the valuation provided to the National Westminster Bank plc for the purposes of the loan of £8.8 million. In view of the closeness of the valuation to historic cost, and the fact that the assets are used entirely for charitable purposes, it is the view of the Trustees that a formal revaluation is not required at this time.

Working capital

Debtors and creditors, apart from long term creditors, are receivable or payable on standard business terms. Future lease commitments are limited to lease agreements on accommodation where there are long-term leases on office accommodation in York and Swansea. The Swansea lease is due to terminate during the coming financial year.

Relationship with other charities

There are no other charities connected with the Foundation, and no charities with which a co-operative venture has been concluded. As indicated above under Future Developments, negotiations with Queen's University Belfast were undertaken with a view to establishing a long-term mutually-beneficial relationship.

Policy for disabled employees

The Foundation is an equal opportunity employer. The aim of its policy is to ensure that no job applicant receives less favourable treatment than another on the grounds of sex, marital status, disability or race, or is disadvantaged by conditions or requirements which cannot be shown to be justified. The Foundation will make all reasonable adjustments to the job or working environment to support the employment of staff with disabilities.

Employee information procedures

The Foundation has a variety of methods to promote effective internal communication:

- a Staff Council whose members represent all staff employed by the Foundation

- a monthly Foundation Update newsletter
- regular departmental meetings
- an annual staff conference
- an internal intranet (nfernet) containing a variety of information which relates to both the work of the Foundation and social areas of interest to staff
- regularly updated notice boards at all locations.

The progress of the charity, and its component departments, is a key aspect of the address to all staff at the annual staff conference and appears regularly in the monthly update.

Statement of the responsibilities of the Board of Trustees/Directors

We are required under company law to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and the group, and the incoming resources and application of resources, including the net income and expenditure, of the group for the year.

In preparing these financial statements we are required to:

- select suitable accounting policies and apply them consistently;
- make reasonable and prudent judgements and estimates;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the accounts on a going concern basis unless in our view the company will be unable to continue in business.

The Trustees are also responsible for:

- keeping proper accounting records;
- safeguarding the company's assets; and
- taking reasonable steps for the prevention and detection of fraud.

Statement of disclosure to auditor

- so far as the trustees are aware, there is no relevant information of which the company's auditors are unaware, and

- they have taken all the steps that they ought to have taken as trustees in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution proposing the re-appointment of Kingston Smith LLP as auditors of the company will be placed before the Annual General Meeting.

By order of the Board



Alan Parker
Trustee
The Mere
Upton Park
Slough
Berks SL1 2DQ

24 September 2007

Independent auditors' report

to the Members of the National Foundation for Educational Research in England and Wales

We have audited the group and the parent financial statements set out on pages 17 to 35. These financial statements have been prepared in accordance with the accounting policies set out therein.

This report is made solely to the charitable company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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.

Respective responsibilities of trustees and auditors

The responsibilities of the trustees (who are also the directors of National Foundation for Educational Research in England and Wales for the purposes of company law) for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Responsibilities of the Board of Trustees.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the charitable company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding trustees' remuneration and other transactions is not disclosed.

We read the Trustees' Annual Report, which incorporates the Directors' Report required by the Companies Act 1985, and consider the implications for our report if we become aware of any apparent misstatements within in.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Accounting (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charitable company's and group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view in accordance with the United Kingdom Generally Accepted Accounting Practice of the state of the group's and charitable company's affairs as at 31 March 2007 and of the group's and charitable company's incoming resources and application of resources, including the income and expenditure of the group and charitable company for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985.
- the information given in the Trustees' Annual Report is consistent with the financial statements.

Kingston Smith LLP
Chartered Accountants and Registered Auditors
Middlesex House
800 Uxbridge Road
Hayes
Middlesex UB4 0RS
Date : 28 September 2007

Consolidated statement of financial activities

for the year ended 31 March 2007

	Note	Unrestricted charitable funds £'000	Restricted LGA £'000	Restricted general £'000	TOTAL	
					2006/7 £'000	2005/6 £'000
Incoming resources						
From generated funds						
Voluntary income	3(a)	12	–	–	12	36
Activities for generating funds	3(b)	3,429	–	–	3,429	3,446
Investment income	3(c)	565	–	–	565	488
From charitable activities						
Sponsored research		–	1,344	4,060	5,404	5,168
Development of assessment tests		–	–	4,996	4,996	3,362
Consultancies	3(d)	292	–	11	303	194
Dissemination	3(e)	22	–	45	67	88
Other incoming resources						
Rent receivable	3(f)	91	–	–	91	66
Total incoming resources		4,411	1,344	9,112	14,867	12,848
Resources expended						
Cost of generating funds						
Fundraising trading	4(a)	1,870	–	–	1,870	1,994
Investment management	4(b)	39	–	–	39	22
Cost of charitable activities						
Sponsored research	4(c)	818	1,201	3,916	5,935	5,911
Development of assessment tests	4(d)	222	–	5,132	5,354	3,941
Consultancies	4(e)	21	–	–	21	10
Dissemination	4(f)	22	–	64	86	67
Governance	4(g)	84	–	–	84	92
Total resources expended		3,076	1,201	9,112	13,389	12,037
Net incoming/(outgoing) before interest and transfers		1,335	143	–	1,478	811
Interest payable and transfers						
Mortgage interest		(301)	–	–	(301)	(305)
Interest on pension deficit		(217)	–	–	(217)	(364)
Transfers between funds	6	40	(40)	–	–	–
Net incoming after interest and transfers		857	103	–	960	142
Other gains/(losses)						
Gains of revaluation of assets						
Realised gains on investments		289	–	–	289	257
Unrealised gains on investments		457	–	–	457	2,538
Actuarial gains on defined pension scheme		1,245	–	–	1,245	442
Net movement in funds		2,848	103	–	2,951	3,379
Fund balances at 1 April 2006		12,642	376	–	13,018	9,639
Fund balances at 31 March 2007		15,490	479	–	15,969	13,018

All activities are continuing and there were no gains or losses other than above.

The notes on pages 23 to 25 form part of these financial statements.

Statement of financial activities

for the year ended 31 March 2007

	Note	Unrestricted charitable funds £'000	Restricted LGA £'000	Restricted general £'000	TOTAL	
					2006/7 £'000	2005/6 £'000
Incoming resources						
From generated funds						
Voluntary income		312	–	–	312	36
Activities for generating funds		2,324	–	–	2,324	2,353
Investment income		570	–	–	570	488
From charitable activities						
Sponsored research		–	1,344	1,346	2,690	2,436
Development of assessment tests		–	–	3,464	3,464	2,613
Consultancies		292	–	11	303	194
Dissemination		22	–	45	67	88
Other incoming resources						
Rent receivable		91	–	–	91	66
Total incoming resources		3,611	1,344	4,866	9,821	8,274
Resources expended						
Cost of generating funds						
Fundraising trading		1,019	–	–	1,019	1,135
Investment management		39	–	–	39	22
Cost of charitable activities						
Sponsored research		863	1,201	1,244	3,308	2,954
Development of assessment tests		189	–	3,558	3,747	3,160
Consultancies		21	–	–	21	11
Dissemination		22	–	64	86	67
Governance						
		81	–	–	81	92
Total resources expended		2,234	1,201	4,866	8,301	7,441
Net incoming/(outgoing) before interest and transfers		1,377	143	–	1,520	833
Interest payable and transfers						
Mortgage interest		(301)	–	–	(301)	(306)
Interest on pension deficit		(217)	–	–	(217)	(364)
Transfers between funds		40	(40)	–	–	–
Net incoming after interest and transfers		899	103	–	1,002	163
Other gains/(losses)						
Gains of revaluation of assets						
Realised gains on investments		289	–	–	289	257
Unrealised gains on investments		457	–	–	457	2,538
Actuarial gains on defined pension scheme		1,245	–	–	1,245	442
Net movement in funds		2,890	103	–	2,993	3,400
Fund balances at 1 April 2006		12,631	376	–	13,007	9,607
Fund balances at 31 March 2007		15,521	479	–	16,000	13,007

All activities are continuing and there were no gains or losses other than above.

The notes on pages 23 to 25 form part of these financial statements.

Summary income and expenditure accounts

for the year ended 31 March 2007

	Group		Company	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Income of continuing operations	14,867	12,848	9,821	8,274
Expenditure of continuing operations	13,389	12,030	8,301	7,435
Net income for the year before interest and investment asset disposals	1,478	818	1,520	839
Interest payable and similar charges	(518)	(670)	(518)	(670)
Gain on disposal of investment assets	289	257	289	257
Net income for the year before tax	1,249	405	1,291	426
Taxation	–	6	–	6
Net income for the year after tax	1,249	399	1,291	420

Income of the company comprises £1,287,000 (2006: £868,000) for unrestricted funds which is increased by the £2,324,000 of services invoiced to the subsidiary, and £6,210,000 (2006: £5,429,000) for restricted funds. For the group, the unrestricted income is £4,411,000 (2006: £4,436,000) and restricted income £10,456,000 (2006: £8,693,000).

Detailed analysis of the income and expenditure are provided in the Statement of Financial Activities and Notes 3 to 6.

Net income for the year as reported above does not differ from the historical cost net income.

The net income for each year differs from that on the Statement of Financial Activities by the exclusion of the unrealised gain on investments of £457,000 (2006: £2,538,000) by valuation at market value, and by the actuarial gain on the defined pension of £1,245,000 (2006: £442,000).

The Summary Income and Expenditure Accounts are derived from the Statement of Financial Activities on pages 17 and 18, which, together with the notes to the Accounts on pages 23 to 35, provide full information on the movements during the year on all the funds of the Foundation.

The notes on pages 23 to 35 form part of these financial statements.

Group balance sheet

as at 31 March 2007

	Note	2007		2006	
		£'000	£'000	£'000	£'000
Fixed assets					
Intangible assets	11(b)		458		
Tangible assets	11(a)		7,763		7,916
Investments – traded (at market value)	12		16,114		16,126
Total fixed assets			24,335		24,042
Current assets					
Stock			15		6
Debtors	14		4,116		2,844
Cash at bank and in hand			4,949		3,585
Total current assets			9,080		5,591
Creditors: amounts falling due within one year	15		(3,309)		(2,276)
Net current assets			5,771		4,159
Total assets less current liabilities			30,106		28,201
Creditors: amounts falling due after one year	15		(5,084)		(5,352)
Defined benefit pension scheme liability	20		(9,053)		(9,832)
Net assets including pensions			15,969		13,017
Income funds					
Restricted funds	7		479		376
Unrestricted funds:					
Designated – financial covenant			7,500		7,500
Undesignated			7,990		5,141
			15,969		13,017

The financial statements on pages 17 to 35 were approved and authorised for issue by the Board of Directors on 24 September 2007 and signed on its behalf by



D A L Whitbread
Honorary Treasurer



R D C Bunker
Chairman

The notes on pages 23 to 35 form part of these financial statements.

Balance sheet

as at 31 March 2007

	Note	2007		2006	
		£'000	£'000	£'000	£'000
Fixed assets					
Tangible assets	11(a)		7,763		7,916
Investments – traded (at market value)	12		16,114		16,126
Total fixed assets			23,877		24,042
Current assets					
Stock			15		6
Debtors	14		5,369		2,857
Cash at bank and in hand			3,395		2,728
Total current assets			8,779		5,591
Creditors: amounts falling due within one year	15		(2,519)		(1,443)
Net current assets			6,260		4,148
Total assets less current liabilities			30,137		28,190
Creditors over one year: amounts falling due after one year	15		(5,084)		(5,352)
Defined benefit pension scheme liability	20		(9,053)		(9,832)
Net assets including pensions			16,000		13,006
Income funds					
Restricted funds	7		479		376
Unrestricted funds:					
Designated – financial covenant			7,500		7,500
Undesignated			8,021		5,130
			16,000		13,006

The financial statements on pages 17 to 35 were approved and authorised for issue by the Board of Directors on 24 September 2007 and signed on its behalf by



D A L Whitbread
Honorary Treasurer



R D C Bunker
Chairman

The notes on pages 23 to 35 form part of these financial statements.

Consolidated cash flow statement

for the year ended 31 March 2007

	Note	2007		2006	
		£'000	£'000	£'000	£'000
Net income/(expenditure) for the year before interest and gains/ losses on investments			913		330
Increase in stocks		(9)		–	
(Increase)/decrease in debtors		(1,272)		1,444	
Increase/(decrease) in creditors – (one year)		1,129		(431)	
– (more than one year)		(221)		5	
Increase in pension scheme liability		249		79	
Depreciation		294		406	
Net working capital movements			170		1,503
Net cash inflow from operating activities			1,083		1,833
Returns on investment and servicing of finance					
Investment income		565		458	
Other interest (net)		(217)		30	
Mortgage interest		(301)		(346)	
Returns of investments and servicing of finance			47		142
Taxation			–		(6)
Capital expenditure and financial investment					
Purchase of intangible fixed assets		(222)		–	
Purchase of tangible fixed assets		(141)		(142)	
Purchase of investments		(1,374)		(1,434)	
Disposal of tangible fixed assets		–		1	
Disposal of investments		2,132		1,609	
Net cash inflow from investing activities			395		34
Net cash inflow before financing			1,525		2,003
Financing					
Drawdown of development mortgage		–		5,500	
Mortgage repayments		(161)		(5,236)	
Net financing			(161)		264
Increase in cash			1,364		2,267
Cash at bank and in hand as at 1 April 2006			3,585		1,318
Cash at bank and in hand as at 31 March 2007			4,949		3,585

The notes on pages 23 to 35 form part of these financial statements.

Notes to accounts

31 March 2007

1 Status of NFER

The NFER is a body incorporated under the Companies Acts (No. 900899), and is limited by guarantee. In the event of the NFER being wound up the liability of its members, the number of which is variable, is limited to £1 each. The NFER is exempt from corporation tax by virtue of being a registered charitable body (No. 313392). NFER's subsidiary undertakings are detailed in note 13 to the accounts.

2 Accounting policies

a) Basis of preparation of accounts

The accounts have been prepared in accordance with applicable accounting standards and Statement of Recommended Practice (SORP 2005) under the historical cost accounting rules except for the revaluation of investments. The company has adopted a disclosure of income and expenditure which does not comply with the standard formats laid down by the Companies Act 1985. In the opinion of the Trustees, the presentation chosen is necessary to give a true and fair view of the income and expenditure for the year.

The consolidated financial statements incorporate those of the Foundation 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.

b) Recognition of income and expenditure

Income and direct research expenditure are recognised when incurred, but for each research project any excess of either income or direct expense is separately deferred until matched. Any excess direct expenditure on completed research projects, or any excess direct expenditure on uncompleted research projects which is not likely to be recovered over the life of the research project, is written off in the year incurred.

Other income and expenditure is recognised on an accruals basis.

c) Resources expended

Governance costs are the costs of running the Foundation as a legal entity.

Direct charitable expenditure relates to research salaries and expenditure directly incurred in respect of projects. Research salaries are allocated to specific projects based on the time spent on those projects by the researchers.

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

Leased Assets and obligations:

Annual rentals paid under operating leases are charged to profit and loss on a straight line basis over the lease term.

d) Research and development

Research expenditure is written off to the profit and loss account in the period in which it is incurred. Development expenditure is written off in the same way unless the directors are satisfied as to the technical, commercial and financial viability of individual projects. In this situation, the expenditure is deferred and amortised over the period during which the company is expected to benefit.

e) Intangible assets

Intangible assets represent the intellectual property rights and development costs incurred in regard to the assessment tests and the IT platform. This will be written off in equal instalments equally over five years from the commencement of trading in each test.

f) Tangible fixed assets and depreciation

Freehold property is included in the accounts at cost.

Tangible fixed assets are depreciated by equal annual instalments over their estimated useful lives as follows:

Freehold property	50 years
IT equipment	3 years
Other equipment	3 years
Motor vehicles	3 years

Freehold land is not depreciated.

Furniture is written off to the income and expenditure account in the year of purchase.

Notes to accounts

continued

Assets that are impaired in value are written down to their economic value. Assets below £250 are not capitalised.

g) Stock

Stocks are valued at the lower of cost and net realisable value and consist of consumables and finished goods for resale.

h) Investments

Investments are stated in the balance sheet at market value at the balance sheet date and the income is taken as it arises.

i) Retirement benefits

For defined benefit schemes the amount charged to net incoming resource / expenditure in respect of pension costs and other post retirement benefits is the estimated regular cost of providing the benefits accrued in the year, adjusted to reflect variations from that cost. The interest cost and expected return on assets are included within other finance costs. Actuarial gains and losses arising from new valuations and from updating valuations to the balance sheet date are recognised in the Statement of Financial Activities.

Defined benefit schemes are funded, with the assets held separately from the group in separate trustee administered funds. Full actuarial valuations, by a professionally qualified actuary, are obtained at least every three years, and updated to reflect current conditions at each balance sheet date. The pension scheme assets are measured at fair value. The pension scheme liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency. A pension scheme asset is recognised on the balance sheet only to the extent that the surplus may be recovered by reduced future contributions or to the extent that the trustees have agreed a refund from the scheme at the balance sheet date. A pension scheme liability is recognised to the extent that the group has a legal or constructive obligation to settle the liability.

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either

accruals or prepayments in the balance sheet.

Full provision in respect of the anticipated future costs of unfunded, ex-gratia pension payments is made when such ex-gratia pensions are awarded.

j) Designated funds

Funds are designated in accordance with Trustees designations.

k) Membership fund

The Membership Fund represents the cumulative annual surplus from research projects and services that are agreed each year with the Local Government Associations (LGAs) for England and Wales and funded through the Rate Support Grant on the recommendation of the Local Government Board. During the year 26 projects (2006: 21) were worked on.

l) Sponsored fund

The Sponsored Fund represents 156 (2005: 141) individual research projects from 54 (2006: 58) different sponsors. The funds for each research project are only applicable to the relevant project and may not be otherwise allocated.

m) Unrestricted fund

During the year there were 45 (2006: 66) individual research projects from 27 (2006: 40) different sponsors.

n) Irrecoverable VAT

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

o) Comparative figures

Previously input VAT recovered was disclosed as a separate incoming resource within the Statement of Financial Activities. This has now been allocated to the expenses the VAT relates to and the comparative figures have been amended accordingly. The net incoming resources for the prior year remain unchanged.

3 Group income

a) Voluntary income

	2007 £'000	2006 £'000
DfES grant	–	25
Subscriptions	12	11
	12	36

b) Activities for generating funds

	2007 £'000	2006 £'000
Unrestricted income from NFER Trading Limited	3,429	3,446

c) Investment income

	2007 £'000	2006 £'000
Dividends	494	465
Interest on cash deposits	71	23
	565	488

d) Consultancies

	2007 £'000	2006 £'000
--	---------------	---------------

Unrestricted funds

EMIE	82	97
Statistical analysis	19	32
Research departments	61	60
Other (central)	130	–
	292	189

Sponsored restricted fund

Research departments	11	5
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Total consultancies	303	194
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e) Dissemination

	2007 £'000	2006 £'000
NFER publications	22	51
<i>practical research for education</i> (formerly <i>Topic</i>)	17	10
<i>Educational Research</i> editorial	28	27
	67	88

f) Rent receivable

Rent receivable represents the rent received by the letting of one floor of one wing that was surplus to immediate requirements on a three-year lease commencing June 2005.

4 Resources expended

a) Fundraising trading

	2007 £'000	2006 £'000
Cost of delivering activities for fundraising	3,177	3,205
Corporation tax	–	6
Over/(under) recovery of support costs	(1,307)	(1,217)
	1,870	1,994

b) Investment management

Investment management is the fees from the three investment portfolio managers.

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c) Sponsored research

	2007 Res dev £'000	2007 Member £'000	2007 Spons £'000	2007 Total £'000
Salaries (inc. FRS17 Adj)	468	500	1,570	2,538
Direct costs	182	110	289	581
Services	168	83	481	732
Support costs	–	508	1,576	2,084
Total	818	1,201	3,916	5,935
2006	661	1,138	4,112	5,911

d) Development of assessment tests

	2007 Res dev £'000	2007 Member £'000	2007 Spons £'000	2007 Total £'000
Salaries	272	–	1,324	1,596
Direct costs	(73)	–	1,329	1,256
Services	23	–	668	691
Support costs	–	–	1,811	1,811
Total	222	–	5,132	5,354
2006	286	–	3,655	3,941

e) Consultancies

Consultancies are the direct staff costs of delivering the assignments.

f) Dissemination

Dissemination is the direct cost of three areas of publication.

	2007 £'000	2006 £'000
NFER publications	22	53
Topic	13	14
Educational Research	51	–
	86	67

g) Governance

	2007 £'000	2006 £'000
Board and Board Committee expenses	25	24
Audit fees	11	11
Insurance	48	57
	84	92

5 Support costs

	2007 £'000	2006 £'000
Salaries	2,098	1,856
Property expenses	555	510
Legal and professional	289	262
Depreciation	294	391
Training	163	100
Revenue purchases	174	99
Recruitment	100	36
Staff restaurant	83	84
Other infrastructure costs	393	428
Services over recovery	(254)	(195)
	3,895	3,571

Support costs allocation:

Sponsored research	£2,084
Development of assessment tests	£1,811

Support costs are allocated to the Membership and Sponsored Funds at the rate of 65% of salary costs (including internally provided services), and 50% of externally sourced services.

6 Transfer between funds

The transfer between funds represents the LGA Educational Research Programmes providing funding to one unrestricted project.

7 Fund balances

Restricted fund balances

Restricted fund balances are represented by cash. There is no fund balance on the Restricted Sponsored Fund as all inputs have been expended on research for that fund. The balance of £479,000 (2006: £376,000) on the Restricted LGA Fund represents funding received for which research projects have either not been agreed or have not yet been delivered. The balance is restricted for use for the fund.

8 Surplus/(deficit) on ordinary activities

The surplus on ordinary activities is stated after charging:

	Group	
	2007 £'000	2006 £'000
Staff costs		
Wages and salaries	7,733	7,089
Social security costs	617	565
Other pension costs	916	953
	9,266	8,607

	Group		Company	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Other costs				
Auditors' remuneration (inc. VAT)				
– as auditors	23	23	11	11
– for other services	1	7	–	4
Depreciation	294	406	294	390
Payments for operating leases buildings	138	122	138	122

9 Employees

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

	Group & Company			
	2007		2006	
	FTE	Head-count	FTE	Head-count
Full time	221	243	224	243
Part time	46	61	29	43
	267	304	253	286
Research	151	169	151	164
Support staff	116	135	102	122
	267	304	253	286

No directors of the company received any remuneration (2006: nil).

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

	2007 Number	2006 Number
£60,001 – £70,000	1	3
£70,001 – £80,000	3	1
£110,001 – £120,000	1	–

The number of higher paid staff to whom retirement benefits are accruing under defined benefit pension schemes was 5 (2006: 4). The total contribution in respect of these employees was £87,309 (2006: £ 58,554).

10 Members of the Board

Trustees' and committee meeting expenses representing reimbursement of travel and subsistence costs to 9 Trustees (2006: 11) incurred on behalf of the Foundation amounted to £4,074 (2006: £ 4,386).

During the year, insurance costing £3,150 (2006: £3,150) was purchased to indemnify the Trustees or other Officers against the consequences of any neglect or default on their part and to protect the Foundation from loss arising from the neglect or defaults of its Board, Officers or staff.

Notes to accounts

continued

11(a) Tangible fixed assets

a) Group

	Land £'000	Freehold property £'000	IT equipment £'000	Other equipment £'000	Motor vehicles £'000	Total £'000
Cost						
1 April 2006	700	7,736	1,876	1,544	9	11,865
Additions in year	–	–	129	12	–	141
Disposals	–	–	(53)	(3)	–	(56)
31 March 2007	700	7,736	1,952	1,553	9	11,950
Depreciation						
1 April 2006	–	640	1,757	1,543	9	3,949
Charge for year	–	174	115	5	–	294
Disposals	–	–	(53)	(3)	–	(56)
31 March 2006	–	814	1,819	1,545	9	4,187
Net book amount						
31 March 2007	700	6,922	133	8	–	7,763
1 April 2006	700	7,096	119	1	–	7,916

b) Company

	Land £'000	Freehold property £'000	IT equipment £'000	other equipment £'000	Motor vehicles £'000	Total £'000
Cost						
1 April 2006	700	7,736	1,752	1,542	9	11,739
Additions in year	–	–	129	12	–	141
Disposals	–	–	(34)	(3)	–	(37)
31 March 2007	700	7,736	1,847	1,551	9	11,843
Depreciation						
1 April 2006	–	640	1,633	1,541	9	3,823
Charge for year	–	174	115	5	–	294
Disposals	–	–	(34)	(3)	–	(37)
31 March 2007	–	814	1,714	1,543	9	4,080
Net book amount						
31 March 2007	700	6,922	133	8	–	7,763
1 April 2006	700	7,906	119	1	–	7,916

There were no capital commitments at 31 March 2007.

The net book value at 31 March 2007 represents fixed assets used for the following.

	Group		Company	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Direct charitable purposes	7,763	7,916	7,763	7,916
Other purposes	–	–	–	–
	7,763	7,916	7,763	7,916

It is not practicable to split assets between direct charitable expenditure and charitable support expenditure.

Tangible fixed assets with an original cost of £37,021 (2006: £ 35,458) were disposed of by the group during the year realising £Nil (2006: £1,727) yielding a gain of £ Nil (2006: £877).

11(b) Intangible assets

	Development costs £'000	Total £'000
Cost		
At 1 April 2006	–	–
Additions in year	458	458
31 March 2007	458	458
Net book amount		
31 March 2007	458	458

12 Listed investments

	2007 £'000	2006 £'000
Market value at 1st April 2006	16,126	13,506
Less: disposals at opening book value	(1,843)	(1,352)
Add: acquisitions at cost	1,374	1,434
Net gain on revaluation at 31 March	457	2,538
Market value at 31 March	16,114	16,126
Historical cost as at 31 March	12,671	13,139

Investments can be analysed as follows:

Investment assets in the UK (at market value):

Fixed interest	1,333	1,482
Unit trusts	5,293	5,425
Direct investments	4,669	4,712
Property	1,082	1,038
Hedge funds	934	862
	13,311	13,519

Investment assets outside the UK:

Fixed interest	296	121
Unit trusts	534	526
Direct investments	1,973	1,960
	2,803	2,607

Total investments (as above) **16,114** **16,126**

Note: Unit Trusts by their very nature are pooled investments, and all the funds, including fixed interest stocks, are listed in the UK. Only the overseas direct investments are not traded in the UK. Investments with a book value of £1,843,000 (2006: £1,352,000) were disposed of during the year, realising £2,132,000 (2006: £1,609,000) yielding a gain of £289,000 (2006: £257,000). Investments greater than £500,000 were:

	£'000	%
Allianz Dresdner UK equity 'A'	4,138	25.7
Schroder charity equity fund	662	4.1
Chariguard fixed interest	618	3.8
Schroder alternative diversified fund	609	3.8
Schroder exempt property fund	582	3.6
Charity property fund	500	3.1
Other (80 investments)	9,005	55.9
	16,114	100.0

Notes to accounts

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Income from investments was:

	2007 £'000	2006 £'000
UK		
Equities	168	154
Pooled investments	186	179
Property	43	43
Fixed interest	68	66
Total UK	465	442
Overseas		
Equities	19	13
Pooled investments	4	4
Fixed interest	6	6
Total overseas	29	23
Other interest	76	23
Total dividends + interest for company	570	488
Intra company elimination	(5)	–
Total dividends + interest for group	565	488

13 Subsidiary undertakings

NFER Trading Limited

The company is wholly owned, registered in England and Wales, with a share capital of £100. It has been established to undertake the trading opportunities that would not be consistent with the Foundation's charitable status and it also undertakes certain contracts that fall within the Foundation's charitable aims. A Gift Aid transfer to the parent of £300,000 was proposed. The capital and reserves at 31 March 2007 were £11,000 (2006: £11,000). Audited accounts will be filed at Companies House by the due date.

NFER Trading Limited summary results were:

	2007 £'000	2006 £'000
Sales	7,653	6,909
Cost of sales	(5,029)	(4,537)
Gross profit	2,624	2,372
Administrative expenses	(2,346)	(2,405)
Interest received	22	18
Trading profit/(loss)	300	(15)
Gift aid	(300)	–
Corporation tax	–	(6)
Retained deficit after tax	–	(21)

i-nfer assessment limited

The company is wholly owned, registered in England and Wales, with a share capital of £100. The company was formed during the year to fund research into electronic assessment. At 31 March 2007, this work was well under way.

i-nfer assessment limited summary results were:

	2007 £'000
Administrative expenses	(37)
Interest payable	(5)
Trading and retained loss	(42)

14 Debtors

	Group		Company	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Sponsors	3,588	1,952	1,749	444
Other debtors	133	38	133	38
Prepayments and accrued income	350	854	99	436
Subsidiary undertakings	–	–	3,088	1,939
Gift aid	–	–	300	–
VAT	45	–	–	–
	4,116	2,844	5,369	2,857

The amount owed by NFER Trading Limited to the parent undertaking is on normal commercial terms and has been repaid in full after the balance sheet date.

Amounts falling due after more than one year and included in the debtors above are :

	Group		Company	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Subsidiary undertakings	–	–	541	–

15 Creditors

	Group		Company	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Amounts falling due within one year				
Mortgage loan	169	170	169	170
Trade creditors	127	156	40	44
Other taxation and social security	683	549	617	531
Deferred income	1,839	880	1,205	261
Other creditors	24	79	24	22
Accruals	467	442	464	415
	3,309	2,276	2,519	1,443

Amounts falling due after 1 year:

Mortgage loan	5,057	5,217	5,057	5,217
Provision for pensions	27	135	27	135
	5,084	5,352	5,084	5,352

The mortgage loan represents the amount drawn against the facility of £5,500,000. The loan is a fixed interest loan for its entire 20-year term, which with the capital repayment, fixes the annual outlay to the same rate for each year of the 20-year term. The loan is secured against the assets of the Foundation, and the Foundation is required to keep a minimum balance of £7,500,000 in its investments.

Notes to accounts

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16 Pensions

During the year the Foundation was a participating employer in the Buckinghamshire County Council Superannuation Fund and Department for Education and Skills superannuation schemes, both of which are defined benefit schemes. The management of these schemes is independent of the Foundation.

Contributions to the schemes are charged to the income and expenditure account so as to spread the cost of pensions over employees' working lives with the Foundation. The pension charge for the year is shown in note 8.

The contributions to the Buckinghamshire County Council Superannuation Fund are determined by a qualified actuary on the basis of a triennial valuation using the projected unit method. The most recent valuation of the fund available was as at 31 March 2004. The assumptions which have the most significant effect on the results of the valuation are those relating to the rates of return on investments, in particular interest rate and future dividend growth and the rates of increase in salaries and pensions. It was assumed that the rate of return to be expected from equities would be 7.4% per annum, that from Gilts would be 4.8% and from Bonds 5.6%. Against this, it was assumed that salary increases would average 4.55% per annum and that present and future pensions would increase in line with inflation at the rate of 2.8% per annum. The valuation showed that the market value of the total fund's assets was £733 million and the deficiency of liabilities accrued up to 31 March 2004 over the actuarial value of assets was £376 million, equivalent to a 66% funding level. The contributions of the Foundation to the fund are based on 275% of the employees' contribution of 6% making an NFER contribution of 16.5% of gross pensionable salary. At 31 March 2004 there are 15,840 (NFER: 224) active members of the scheme, with 8,358 (NFER: 84) deferred pensioners and 9,052 (NFER: 71) pensioners. The FRS 17 return for the year ended 31 March 2007 is shown in Note 20.

The Department for Education and Skills Superannuation Scheme, known as Teachers Pensions, is governed by the

Superannuation Act 1972. Under the Act, contributions to the Scheme are credited to the Exchequer and superannuation benefits together with all other expenditure are paid out of monies provided by Parliament. The Government Actuary is required to conduct a quinquennial review of the Scheme in order to specify the level of future contributions. The most recent review of the Scheme for which information is available was published in 2003 and carried out for the period 1997 to 2001. The report specified an increase in the total contribution rate from 14.35% to 19.5% from 1 April 2003. This rate was increase again to 20.5% from 1 January 2006 with the employees' share of the contribution increasing from 6% to 6.4%. This scheme is accounted for as a contribution scheme under Financial Reporting Standard 17 Retirement Benefits.

17 Analysis of net debt

	At 1 April 2006 £'000	Cash flows £'000	Non-cash move- ments 2007 £'000	At 31 March 2007 £'000
Cash at bank	3,585	1,364	–	4,949
Debt – due within one year	(170)	170	(169)	(169)
Debt – due after more than one year	(5,217)	(9)	169	(5,057)
	(1,802)	1,525	–	(277)

18 Guarantees and other financial commitments

Financial commitments under non-cancellable operating leases will result in the following payments falling due in the year to 31 March 2008:

	2007 Land and buildings £'000	2007 Other £'000	2006 Land and buildings £'000	2006 Other £'000
Expiring:				
Within less than one year	30	–	77	–
Within one to five years	–	–	–	–
Over five years	49	–	49	–
	79	–	126	–

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

	2007 £000	2006 £000
One year	169	167
Two to five years	780	569
More than five years	4,278	4,481
Total	5,227	5,217

Interest is charged at a fixed rate of 5.67% on the reducing capital balance over the term of the loan. The mortgage term is 20 years from May 2005. The mortgage is secured by way of a charge over the assets of the Foundation.

19 Analysis of net assets between funds

	Restricted funds £'000	Desig- nated funds £'000	Other unre- stricted funds £'000	Total £'000
Intangible assets	–	–	458	458
Tangible assets	–	–	7,763	7,763
Investments	–	7,500	8,614	16,114
Current assets	479	–	5,292	5,771
Creditors due after one year	–	–	(5,084)	(5,084)
Pension deficit	–	–	(9,053)	(9,053)
	479	7,500	7,990	15,969

20 FRS 17 return

The employer participates in the Buckinghamshire County Council Pension Fund, a defined benefit pension scheme. The latest actuarial valuation was completed as at 31 March 2004 and the figures are based on the actuarial demographic assumptions from that valuation.

The employer's contribution made to the scheme in the accounting period was £925,000 (2006: £1,045,000). Future employer contributions will continue at a rate of 275% of employees' contributions.

Assumptions

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

	At 31 March 2007	At 31 March 2006	At 31 March 2005
Price increases	3.3%	3.0%	2.9%
Rate of increase in salaries	5.1%	4.8%	4.7%
Rate of increase in pensions in payment/inflation	3.3%	3.0%	2.9%
Discount rate	5.4%	4.9%	5.4%

Notes to accounts

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Assets and liabilities

The assets in the Fund and the expected rate of return were:

	Long-term return at 31 March 2007 %	Assets at 31 March 2007 £'000s	Long-term return at 31 March 2006 %	Assets at 31 March 2006 £'000s
Equities	7.2%	13,408	7.0%	12,463
Property	6.7%	1,630	6.5%	1,087
Gilts	4.4%	2,943	4.2%	1,895
Other bonds	5.4%	1,253	4.9%	1,200
Cash	5.0%	390	4.0%	397
Total market value of assets		19,624		17,042
Present value of scheme liabilities		(28,578)		(26,870)
Present value of unfunded liabilities		(99)		(4)
Deficit		(9,053)		(9,832)
Related deferred tax liability		–		–
Net pension liability		(9,053)		(9,832)

Analysis of the amount charged to operating profit

	2007 £'000s	% of Payroll %	2006 £'000s	% of Payroll %
Current service cost	1,185	21.1%	1,132	17.9%
Past service cost	–	–	–	–
Curtailement and settlement	–	–	3	0.0%
Total operating charge (A)	1,185	21.1%	1,135	17.9%

Analysis of the amount credited to other finance income

	2007 £'000s	% of Payroll %	2006 £'000s	% of Payroll %
Expected return on scheme assets	1,134	20.2%	858	13.5%
Interest on pension scheme liabilities	(1,351)	(24.1%)	(1,222)	(19.3%)
Net return (B)	(217)	(3.9%)	(364)	(5.7%)
Net revenue account costs (A)–(B)	1,402	25.0%	1,499	23.6%

Statement of total recognised gains and losses

	2007 £'000s	2006 £'000s
Actual return less expected return on pension scheme assets	275	2,965
Experience gains and losses arising on scheme liabilities	(108)	–
Changes in assumptions underlying the present value of liabilities	1,078	(2,523)
Actuarial gain in scheme	1,245	442

Movement in deficit during the year

	2007 £'000s	2006 £'000s
Deficit in scheme at beginning of the year	(9,832)	(9,831)
Movements in year:		
Current service cost	(1,185)	(1,132)
Employer contributions	925	1,045
Unfunded pension payments	11	11
Past service costs	–	–
Other finance income	(217)	(364)
Settlements/curtailments	–	(3)
Actuarial gain	1,245	442
Deficit in scheme at end of year	(9,053)	(9,832)

History of experience gains and losses

	2007		2006		2005		2004	
	£'000s	% of Assets	£'000s	% of Assets	£'000s	% of Assets	£'000s	% of Assets
Difference between the expected and actual return on assets	275	1.4%	2,965	17.4%	215	2.0%	1,401	13.0%
Experience gains/(losses) recognised on scheme liabilities	(108)	–	–	–	629	2.8%	–	–
Actuarial gains/(losses) in statement	1,245	4.3%	442	1.6%	(579)	(2.6%)	159	1.0%

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