



**Evidence for
Excellence in
Education**

Report of the Trustees/Directors and financial statements

Year ended 31 March 2014



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Education**

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Company Registration No: 00900899
Charity Registration No: 313392

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Officers and members of the Board of Trustees/Directors for the year ended 31 March 2014

President Sir James Rose, CBE, FRSA

Vice President Mr David Whitbread, MA, FRSA

Board of Trustees/Directors

Chairman Mr R D C Bunker, MA, FICG, FRSA (1)(3)(4)

Treasurer Mr N Hollister, MA (Hons), Cantab (1)(2)(4)

Vice Chairman Mr J H Harris, BA(Hons), Dip Ed

Trustees
Mr A R Airey, MA, MBA (2)
(resigned 26 November 2013)
Mr G W Bennett, BSc (Hons)(4)
Mr C H J Green, BA (Hons), CQSW, MBA
Mr J W Hall, FCA (1)(2)
Mr S M Hillier BA (Hons), MSc
(resigned 20 June 2013)
Ms F M Murphy LLB (Hons), Solicitor, LLD (hon)
Mr A F N Parker, BA, MA(ed), MinstLM (1)(2)
Ms A J Shaw, MA (Hons) (3)
Ms A Small, BA, FRSA
(resigned 26 November 2013)

Membership of committees

- (1) Remuneration Committee
- (2) Audit Committee
- (3) Nominations Committee
- (4) Investment Sub-Committee

Members of the Foundation for the year ended 31 March 2014

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
National Union of Teachers

Universities, university colleges and university institutions

University of Brighton
University of Chester
Institute of Education, University of London
The University of Manchester
University of Reading

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
Oxford Cambridge and RSA Examinations (OCR)

Individual Members

Hon. Life members

Mr J A Barnes CBE MA Med FCP CIPD Hon FCGI
Mr J W Mansell Med CEng FIEE MIMechE
Dr J M Morris OBE FBPsS
Sir J Rose CBE FRSA (also NFER President)
Prof. M Skilbeck MA PhD
Dr S Hegarty
Mrs S Rossiter
Mr D A L Whitbread MA, FRSA (also NFER Vice President)

Trustee Members

Mr Richard Bunker (Chairman)

Mr John Harris (Vice Chair)

Mr Neil Hollister (Treasurer)

Mr Geoffrey Bennett

Mr Colin Green

Mr Joseph Hall

Mr Alan Parker

Ms Frances Murphy

Ms Alison Shaw

Administrative Details for the year ended 31 March 2014

Charity number:	313392
Company number:	00900899
Principal and registered office:	The Mere, Upton Park, Slough, Berkshire, SL1 2DQ
Auditor	Kingston Smith LLP, Middlesex House, 800 Uxbridge Road, Hayes, Middlesex, UB4 0RS
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	Schroders & Co Limited, 100 Wood Street London EC2V 7ER Investec, 2 Gresham Street London EC2V 7QN Smith & Williamson, 25 Moorgate London EC2R 6AY HSBC Securities Services Ireland Limited, 1 Grand Canal Square, Grand Canal Harbour, Dublin 2, Ireland

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 page 1 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 (*appointed 13 December 2013*)
Mrs S Rossiter (*retired 13 December 2013*)
Ms M Charles
Mr P Evans (consultant) (*resigned 28 November 2013*)
Ms S Maughan
Mr P Verco (interim) (*appointed 30 December 2013, resigned 4 June 2014*)
Ms D Watson
Mr C P Whetton (*retired 30 December 2013*)
Mr R Birkett (*appointed 4 June 2014*)

Company Secretary: Mr C P Whetton (*retired 30 December 2013*)
Mr P Verco (interim) (*appointed 30 December 2013, resigned 4 June 2014*)
Mr R Birkett (*appointed 4 June 2014*)

Report of the Board of Trustees/Directors

for the year ended 31 March 2014

The Board presents this annual Directors' report and the audited accounts for the year ended 31 March 2014 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 6 December 2012.

The NFER is a registered charity with the Charity Commission. Our members comprise all local authorities in England and Wales with responsibility for children's services, other educational establishments and teaching professional bodies.

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 to those who need them, and collects and exchanges educational ideas and information, especially when related to research. We also create tools and products based on research evidence that help to improve the quality of education.

Objectives and activities

NFER is a leading UK independent provider of research, assessment and information services for education, training and children's services. Our clients include UK government departments and agencies at international, national and local levels, which benefit from NFER's full range of expert and professional services. NFER's purpose is to provide independent evidence that improves education and training and hence the lives of learners. Our ambition is to make a positive and significant difference to education policy and practice as the research organisation of first choice for those engaged in educational reform.

NFER is making a difference to learners of all ages, and especially children and young people, by contributing to improvements in practice and increasing the understanding of those working with and for learners, including those making and implementing policies. Our findings have helped to inform educational policy-makers and professionals, and shaped ongoing developments and reforms in national education policies.

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 normally qualify as charitable only if:

- the subject of the proposed research is a useful study of the area
- it is intended that knowledge acquired as a result will be disseminated to others
- the research is conducted for the benefit of the public or a section of the public.

The Charity Commission's general guidance on public benefit has been referred to when reviewing NFER's aims and objectives and planning future activities. In particular, the Trustees consider how planned activities will contribute to the aims and objectives they have set and, ultimately, how they will benefit the public.

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 at which time a co-opted member must submit to election. The Trustees conduct an annual review of skills required and use this to inform the recruitment of future Trustees.

Trustee induction, training and continued support

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 Articles of Association, the latest accounts and annual report, 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 'away day' to discuss future strategy for the organisation. This often includes an element of training and updating on new areas of the business, legislation and best practice.

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 (as outlined on page 4). 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 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 time limited 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 and products. The other two, i-nfer assessment Limited and Futurelab Education Limited, were dormant for the full financial year.

The Strategic Report

The strategic report provides an overview of our achievements and performance over the year, a summary of our objectives for the coming financial year, a review of our financial performance and position at the end of year and the principal risks and uncertainties that the NFER faces.

Achievements and Performance 2013–14

NFER continues to be recognised as a leading, independent, research and assessment organisation throughout the UK, providing valuable evidence to improve education and learning.

This was reflected in our recent stakeholder survey findings which showed that NFER is widely known for contract research, test development and assessment work, with a reputation for being professional, reliable, trusted and rigorous.

While 2013/14 was a challenging year in the educational research market, we successfully maintained our activities and generated an annual income of £11.3m (2013: £11.2m).

Despite continuing constraints in public spending, the Department for Education (including the Standards and Testing Agency) and the Welsh Government remained significant clients. We also worked with the Department for Business, Innovation and Skills and the Scottish Government.

Our contract research and assessment team worked for a wide range of clients beyond government, including the Education Endowment Foundation, the Alcohol Education Trust, Arts Council England and STEMNET.

NFER worked on 180 research projects during the year and our work extended into new areas both within the UK and international markets, working with organisations with an interest in seeking reliable, independent evidence on education, quality assessment tools and evaluation.

Our portfolio of products and services for schools continued to develop with new Practical Guides for assessing Key Stage 2 writing and the new curriculum, a new School Survey product and a research resources programme for schools.

At the same time, NFER established a dedicated Impact Team which has worked both internally and externally, acting as a catalyst to inform policy and influence practice. We have made significant progress over the year in identifying impact opportunities and developing wide ranging projects with partners.

In December, our Chief Executive, Sue Rossiter, retired after eight very successful years leading NFER, during which we made significant progress as an organisation. Her leadership and hard work placed NFER in a strong position for the future. We appointed Carole Willis as our new Chief Executive. Carole is well known and widely respected across the education sector and has extensive research and analysis experience both in the private and public sectors. Her focus is on building on the work of NFER to ensure it is a flourishing and growing business, able to invest further in the education research base, and to increase the impact of our work.

Objectives and targets for 2013–14

Our work in 2013–14 was driven by our 2013–17 strategic plan. The priorities for the year were to:

- continue to be a sustainable and growing organisation with a secure and balanced portfolio of activities and to invest in new development
- remain widely recognised for excellent work, expertise and insights and to be considered integral to the education debate
- provide evidence to demonstrate the positive impact of our activities on policy, practice and learners
- ensure our staff continue to be proud to work for NFER, that we value their expertise and commitment, and they perceive NFER as a great place to work.

Objective 1: continue to be a sustainable and growing organisation with a secure and balanced portfolio of activities and to invest in new development

Research

NFER continued to deliver high quality research projects for a range of organisations during 2013–14.

A new NFER Education Trials Unit was established to deliver robust randomised controlled trials (RCTs) to evaluate educational initiatives in this growing sector of the education research market. The Unit held its first workshop in September 2013 and has run more than 12 trials throughout the year for a range of clients. One of its first published projects was an evaluation of the Catch Up® Numeracy intervention for the Education Endowment Foundation, which found that one-to-one support by teaching assistants led to a significant gain in numeracy skills for primary-aged children.

In our wider research work, evidence from our assessment of BG Group's social investment in science, technology, engineering and maths (STEM) education projects in five countries (Australia, Brazil, Thailand, Trinidad and Tobago, and the UK) between 2011–13 is being used to identify areas for developing its STEM education programme. This includes adopting a more consistent approach to monitoring and evaluating the progress and impact of projects. The final report and executive summary captured learning points to share with other companies and STEM education providers.

In another example, using a small-scale exploratory design, researchers from NFER and NESTA are looking at whether the activities taking place in the 'flipped classroom', where technology is used to maximise the time spent on active learning in schools, differ from those being delivered in a more traditional way. The research investigates whether this new model of learning is likely to lead to improved attainment for students and deeper understanding of mathematics.

A number of research projects were also undertaken for the Local Government Association (LGA) and we continued our work coordinating the Local Authority Research Consortium (LARC). Key projects for the LGA included:

- research examining the longer-term impact of safeguarding children peer reviews
- councils' views on the 16–19 commissioning process
- an analysis of academy school performance in the 2011 and 2012 GCSEs.

Internationally, NFER helped the National Mission for Secondary Education in India analyse and report on its 2011 National Assessment Survey data for Grade 8 students, producing both national and state level reports. These will help guide educational policy at both levels.

In Pakistan, we conducted an evaluation of the Aga Khan University Examination Board to determine the impact of its first 10 years of operation, and to help guide its future development.

We also contributed to a number of international surveys. PISA, the Programme for International Student Assessment, is a major international education survey involving schools and students. It assesses the knowledge and skills of 15-year-olds in maths, reading and science and was developed jointly by member countries of the Organisation for Economic Co-operation and Development (OECD). Findings from the PISA 2012 survey, run by NFER in the UK and published in December 2013, play an increasingly important role in informing policy in the UK, and will be used to improve teaching and learning in maths, science and reading for students around the world.

Our work on leading the OECD Survey of Adult Skills in the UK (known as PIAAC and run in partnership with NatCen, TNS-BMRB and the Northern Ireland Statistics and Research Agency) is being used to inform skills policies in England and Northern Ireland, to help decide what is working and what changes may need to be made in future.

Throughout the year, we continued to work closely with schools both as participants in research and recipients of our products and services. As part of our ongoing work to improve our services, we enlarged our telephone unit, increasing our capacity to answer day-to-day queries and to support large-scale helpdesk services. We also invested in developing our data gathering and reporting services with new online survey, panel and reporting software, allowing us to create more engaging surveys and to deliver surveys to mobiles, tablets and other devices.

Our Centre for Information and Reviews provided information on education systems and policy in England, Wales and Northern Ireland as part of the Eurydice information network on education in Europe. Eurydice at NFER is part of the European Commission information network on education supporting policymakers at European, national and local government level.

Assessment

Assessment is an important part of every learner's progress and our world-leading experts provided reliable, high-quality support for pupils, teachers and schools in what continues to be a changing landscape.

In Wales, we facilitated education reform to improve pupil attainment by developing and providing new national reading and numeracy tests for the Welsh Government. We supported the delivery of the live tests in summer 2013 and beyond by:

- providing a test ordering service
- preparing teachers for the tests
- managing the print and dispatch of the live tests
- supporting the data collection for the new numeracy tests.

We continue to support the Welsh Government in its live assessment programme in 2014. In England, we worked with the Standards and Testing Agency, responsible for the development and delivery of all statutory assessments from early years to the end of Key Stage 2, both in developing and trialling National Curriculum assessments.

Products and Services

Products and services are an important part of our work as they help to provide the information that schools and teachers need to improve learning outcomes for pupils.

This year saw our new product development programme fully implemented and we began to realise the benefits of this in increasing engagement with schools. The NFER Tests, launched in 2011/12 and designed to offer summative assessment in reading and maths for years 3, 4 and 5, grew in popularity and are now widely used in primary schools.

Our rigorous new product development process involves building an understanding of school needs, working with our experts and looking through our own evidence base to identify how we might best support schools.

In 2013/14 we successfully launched:

- new flexible and modular School Surveys
- a range of guides to support schools' understanding of the new curriculum
- the NFER Research Mark to recognise schools' achievements in research
- a *How to* series of resources for schools to support them building their own research and enquiry skills – further tailored support is also available through the offer of training or facilitated consultancy provided through our Futurelab Enquiring Schools programme
- practical guides to assessing writing in Key Stage 2
- a new Analysis and Marking Service for NFER Tests.

Recognising an increasing demand for our publications, we also launched a new publications channel providing online access to all reports and other resources.

Our Teacher Voice omnibus survey of primary and secondary school teachers has continued to engage teachers' views. This year the survey has helped organisations such as the Department for Education, Sutton Trust, WJEC and the Social Mobility and Child Poverty Commission to gather teachers' perspectives on a range of important issues. The survey has also helped NFER to understand the views from the profession on issues that are important to us in our programme of impact activity.

Objective 2: remain widely recognised for excellent work, expertise and insights and to be considered integral to the education debate

NFER continues to be widely recognised for our excellent work, with over 85 per cent of stakeholders surveyed this year considering us to be an important provider of evidence on education. As one independent education expert put it, NFER is 'an authoritative source of high quality information'. The majority of stakeholders surveyed also found NFER focusing on topical issues, providing valuable evidence for school leaders and practitioners and with relevant opinions on education.

We continually work with clients to add value to our research work, for example, producing outputs in differing formats, such as toolkits and guides for a range of audiences, with increasing levels of impact. In partnership with Oxford University Press, for example, we published a short practical guide for teachers on *Parental Engagement and Narrowing the Gap in Attainment for Disadvantaged Children*. This NFER guide is based on a review of the evidence carried out by NFER and a Department for Education review of best practice parental engagement.

Success in a competitive research environment requires constant innovation and, over the year, we have expanded our means of communication and our reach. Our e-newsletters were received by

more than 12,000 people each month, the NFER Blog providing evidence-based comment and analysis on key education issues had more than 800 visitors a week, and over 5000 people and organisations followed our comments on Twitter.

Our subject experts were regularly invited to present around the world, speaking at more than 30 seminars and conferences as far afield as Kazakhstan and central China. We were part of the inaugural ResearchEd national conference held at Dulwich College for teachers and researchers interested in using evidence in education, and the subsequent regional events, and we exhibited at a number of key conferences and exhibitions.

Our new series of *NFER Thinks* papers showcasing what the evidence has to say on hot topics such as maths reform, careers guidance, and assessment without levels, was well received, particularly among stakeholder organisations and peer groups. They generated some stimulating discussions and substantial press coverage.

Objective 3: provide evidence to demonstrate the positive impact of our activities on policy, practice and learners

NFER made some real progress during the year towards being a key agent of change and improvement in education. Following the publication of our first Impact Review in December 2012, we took the bold step, in May 2013, of establishing a dedicated Impact Team. The role of the team is to lead our efforts to create and demonstrate our charitable objectives through informing policy and influencing practice. This is not a straightforward or easy task but one that is of growing importance for all charities. The team also works with colleagues on specific projects to understand the impact opportunities that research, assessment and products can offer and how these can best be tailored to meet the needs of different audiences.

Evidence-informed education was one of the key priorities for the year and this is where the focus of NFER's own research programme has been. In January, we hosted the first in a series of seminars for the Coalition for Evidence-based Education (CEBE) to focus on linking evidence and practice in education. Here we shared the findings and recommendations of our recently-published review of research on effective approaches to the creation of a more evidence-informed teaching profession, *Using Evidence in the Classroom; What Works and Why?* We also launched an *NFER Thinks* paper *Why Effective Use of Evidence in the Classroom Needs System Wide Change* This very lively and stimulating event was attended by over 70 delegates including researchers, practitioners, school leaders, representative bodies from schools and further education and the Department for Education.

Some of the other key projects realised this year included: increasing the number of research-informed tools and practical resources for teachers and publishing five in the new *NFER Thinks* series of evidence-based and thought-provoking policy papers on topical issues.

Influencing policy

All NFER's activities increasingly have an impact on policy and practice. Using our independent voice, and based on research evidence, we have contributed to policy development and debate as part of our ambition to inform policy thinking and its practical application.

NFER provided evidence for House of Commons Education Select Committee Inquiries during the year. Two NFER experts gave oral evidence, one to the inquiry into Sure Start Children's Centres and another to the Schools Partnerships and Cooperation inquiry. We submitted written evidence on:

- traineeships to a government discussion paper on supporting young people to develop the skills for apprenticeships and other sustained jobs

- secondary school accountability for a government consultation
- primary assessment and accountability for a public consultation.

We also provided evidence on access and achievement in England in a background paper to the Ofsted review on this topic in June and on school-based interventions on alcohol for the National Institute for Health and Care Excellence (NICE) consultation in December. We presented the research findings of our evaluation of the Alcohol Education Trust's 'Talk About Alcohol' resources directly to policymakers at the Houses of Parliament as part of a seminar on *Alcohol Education in Secondary Schools: Best Practice for PSHE*.

Influencing practice

Over the year NFER has supported practitioners and influenced practice with a range of activities. Our Headteacher Guides continued to be popular. In these we provide hints and tips drawn from our research in an accessible format.

Our practitioner tools to support schools' efforts to re-engage young people at risk of not engaging in education, employment or training (NEET) but who do not face multiple and complex barriers to learning, called *Reading the Signs*, proved popular. Developed from the NFER Education to Employment research programme, they included:

- a discussion aid for use in a one-to-one meeting with the young person whose behaviour is causing concern – with over 1350 downloads from the website
- an interactive checklist that can be used to log concerns about individual young people, including actions taken and outcomes – with over 1000 downloads.

The resources were well received by practitioners, described as: 'A good example of "a doing with" not "done to"' approach: Great teacher resource.' NFER School Surveys for parents, pupils and staff are also used across the country to inform school improvement plans.

Through our research, evaluation and analysis support network, **reason**, a joint venture with **research in practice** and **research in practice for adults**, we provided bespoke support to seven new local authority and third-sector partners. **Reason** projects explored with partners the impact of a local domestic abuse perpetrator programme and examined 'training transfer' for social workers and their managers, relating to the use of evidence. We also developed specialist resources for local organisations including *An Introduction to Research Governance*, a guide which was endorsed by the Association of Directors of Children's Services (ADCS), and a series of webinars including one broadcast: *An Introduction to Value for Money*.

Objective 4: ensure our staff continue to be proud to work for NFER, that we value their expertise and commitment, and they perceive NFER as a great place to work

Our annual employee survey in late 2013 continued to report a high level of employee satisfaction and engagement. A focus on several key indicators over the year led to an increase in respondents 'agreeing' or 'strongly agreeing' that they had received recognition or praise for good work, that their opinions seemed to count at work, and that their development was encouraged.

We are also proud of our Investors in People (IiP) accreditation, having retained this continuously for 17 years.

Objectives for 2014–15

We are now developing the next steps in our four year strategy (2013–17), using independent evidence and insight to improve education policy and practice, and hence the lives of learners.

Our goals for 2014–17 are to be:

- influential in driving education policy and practice to improve the lives of learners
- at the heart of supporting and delivering 'evidence-based education'
- a company capable of generating new and creative insights based on robust evidence
- a flourishing and growing business that can invest in the evidence base
- a team of creative, skilled and committed staff, who are confident in our work and constantly look outwards to build relationships and make an impact.

Achieving the 2014–15 objectives

We will achieve our objectives through a number of key activities.

- Creating and delivering greater impact from our work in improving education and outcomes for learners.
- Raising NFER's visibility and making its voice heard more widely, so that we can take an increasingly active role participating in relevant conversations and debates, increasing our reach and improving our relationships with key stakeholders.
- Retaining existing clients and continuing to identify new clients in key growth areas that help us deliver our mission of providing independent evidence to improve the education and life chances of learners. Competing for, winning and delivering excellent research projects across a wide variety of areas within education and children's services and generating a healthy trading surplus that can be reinvested to create more impact.
- Maintaining a focus on the external environment, so that we can be ready to exploit new opportunities and ensure that our research services and associated products reflect what is relevant and important to those working in education.
- Continuing to innovate and improve our methods and other processes, particularly through better exploitation of technology, while being mindful of our responsibilities to keep data secure.
- Being creative in our analysis of key policy and practice issues, ensuring we get to the heart of the issue. In particular, continuing to expand our work on quantitative research and analysis, building on the success of our Education Trials Unit.
- Maintaining and improving mutually beneficial relationships with schools and others who participate in our research and could benefit from our products and services.
- Continuing to invest in developing new products and services for the education sector, which are firmly based on the needs of the market. Where appropriate, we will work with partners to ensure successful delivery.

We will invest in providing a positive and motivational environment for our employees. We will provide opportunities for learning and development to enable our staff to achieve the Foundation's business goals. We will communicate regularly on the Foundation's progress through staff briefings and our intranet. We will also listen carefully to our staff through, for example, an annual staff survey and interim surveys which provide feedback on staff engagement, confidence and satisfaction with working life and enable us to identify areas for improvements.

Risk management

The Trustees conduct an annual risk management exercise to identify all the risks to the Foundation and to assess the impact and likelihood of the occurrence of each risk. Based on this analysis, Trustees put in place appropriate systems to eliminate, reduce or mitigate these risks.

The three most significant areas can generally be classified into:

- 1) those related to the level of work being contracted, specifically from Government-related clients, and in relation to the approaching election and changes in the nature of client requirements
- 2) the management of the security of data and physical threats
- 3) the difficulty of achieving important strategic change with a smaller number of staff and managers.

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

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 (11 years remaining at 31 March 2014) on a fixed rate of interest, thereby eliminating any interest rate risk. The investment portfolio is subject to risk, where risk is controlled by the appointment of 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. Similarly, the pension scheme is affected by risk from market forces, which may affect its value. This is controlled by external bodies that manage the scheme.

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 provision remains in force as at the date of approving the directors' report.

Financial review of the group

NFER has seen steady trading in the 2013/14 financial year, generating total incoming resources of £11.3m for the year (slightly higher than the £11.2m last year), and net expenditure after interest and transfers of £130k (compared to the prior year net expenditure of £223k).

Incoming resources from contracted research were £9.4m (compared to £9.3m in 2012/13). Product income increased by 1% on last year's figure to £1.4m this year.

Costs remain under control with margins in line with budgets, and both research and products generating a trading surplus. Governance costs have increased from £116k in 2012/13 to £124k this year.

Unrealised gains on investments were £687,000. However the FRS17 charge for actuarial losses on the Buckinghamshire County Council Pension Fund, of which many NFER staff are deferred members, amounted to an additional £8m bringing the balance to £16.4m in total. This figure represents 66% of the net assets of the Foundation. We remain cautious entering into the 2014/15 financial year, especially as we approach an election in 2015.

NFER Trading limited made an operating profit of £649k (2013: £816k) and remitted £649k to the parent by way of Gift Aid (2013: £439k). The revenue of £2.2m (2013: £4.3m) has reduced as a result of a deliberate strategy to provide more contracted research directly from the charitable parent.

Policy for reserves

Having considered the challenges and opportunities that the charity may face in the medium to longer term, the Trustees have 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 £2.1m to £4.2m. This range has been 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 2014, the NFER's total group reserves stood at £8.3m, a reduction of £8m, resulting from the FRS17 pension adjustment (2013: £16.3m). Of this sum, £6.7m has been designated for specific purposes (see Note 17). The balance of £1.6m represents free reserves to allow the charity to manage challenges and opportunities. This sum represents 74 per cent of the minimum target level of £2.1m for reserves and the Trustees will look to rectify this in future.

Investment policy

The 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), in line with the rise in the index of average earnings. In the year, investment capital growth was £687k (2013: £1.5m) and met the investment objectives as set out above.

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 investment performance, advised by the investment managers and an independent financial adviser.

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 benefit scheme under Financial Reporting Standard 17 (FRS 17) Retirement Benefits.

The 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 scheme under Financial Reporting Standard 17 Retirement Benefits (FRS 17) and was replaced with the NFER's own defined contribution pension scheme.

The Trustees review the funding position of the scheme annually and consider the impact on the organisation's planned activities.

Future developments

The Trustees continue to be positive about the Foundation's market position and progress. We will continue to seek to develop activities that serve the field of education through research, dissemination, and through optimising our range of products and services. The direction of these will be informed by independent market research and business analysis.

Auditors

In accordance with Section 485 of the Companies Act 2006, a resolution proposing the re-appointment of Kingston Smith LLP as auditors of the company will be placed before the Annual General Meeting.

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 SORP
- make judgements and estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- 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.

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



R D C Bunker
Chairman

1 October 2014

Independent Auditor's Report

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

We have audited the financial statements of the National Foundation for Educational Research in England and Wales for the year ended 31 March 2014 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. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made 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.

Respective responsibilities of trustees and auditor

As explained more fully in the Trustees' Responsibilities Statement, set out on page 16, 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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements. In addition we read all the financial and non-financial information in the Report of the Board of Trustees/Directors to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

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 2014 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
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Report of the Board of Trustees/Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 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 of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



8 October 2014

Jonathan Seymour (Senior Statutory Auditor)
For and on behalf of Kingston Smith LLP, Statutory Auditor
Middlesex House
800 Uxbridge Road
Hayes
Middlesex
UB4 0RS

Consolidated statement of financial activities

(including income and expenditure account and statement of recognised gains and losses) for the year ended 31 March 2014

Notes	2013/14 £'000	2012/13 £'000
Incoming resources		
From generated funds		
Voluntary income	3(a) 6	10
Investment income	3(b)/12 476	450
From charitable activities		
Contracted research	3(c) 9,438	9,328
Educational products	3(c) 1,384	1,368
Other incoming resources		
Rent receivable	3(d) 5	4
Total incoming resources	11,309	11,160
Resources expended		
Cost of generating funds		
Investment management	4(a) 80	70
Cost of charitable activities		
Contracted research	4(b) 9,225	8,611
Educational products	4(b) 1,245	1,726
Product development	4(b) 539	621
Governance	4(c) 124	116
Total resources expended	11,213	11,144
Net income / (expenditure) for the year before interest, transfers and exceptional items	96	16
Interest payable and transfers		
Mortgage interest	(226)	(239)
Net expenditure for the year after interest payable and transfers	(130)	(223)
Other gains / (losses)		
Finance gain on pension deficit	18(f) 107	52
Unrealised gains on investments	11 687	1,487
Actuarial losses on defined pension scheme	18(f) (8,709)	(1,189)
Net movement in funds	(8,045)	127
Fund balances at preceding 1 April	17 16,348	16,221
Fund balances at 31 March	17 8,303	16,348

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

Group balance sheet as at 31 March 2014

	Notes	2014		2013	
		£'000	£'000	£'000	£'000
Fixed assets:					
Tangible assets	10		6,710		6,801
Investments	11		18,192		15,585
Total fixed assets			24,902		22,386
Current assets:					
Stock		53		72	
Debtors & Prepayments	13	3,249		2,534	
Cash at bank and in hand		2,835		5,986	
Total current assets		6,137		8,592	
Creditors:					
Amounts falling due within one year	14	(2,669)		(2,917)	
Net current assets			3,468		5,675
Total assets less current liabilities			28,370		28,061
Creditors:					
Amounts falling due after one year	14		(3,618)		(3,866)
Defined benefit pension scheme liability	18(f)		(16,449)		(7,847)
Net assets			8,303		16,348
The funds of the charity:					
Unrestricted funds:					
Designated fund	17		6,750		12,383
Free reserves		18,002		11,812	
Pension reserve		(16,449)		(7,847)	
Net free reserves	17		1,553		3,965
Total charity funds			8,303		16,348

The financial statements on pages 19 to 41 were approved and authorised for issue by the Board of Directors on 1 October 2014 and signed on its behalf by



R D C Bunker
Chairman

Company number 00900899

Company balance sheet as at 31 March 2014

		2014		2013	
	Note	£'000	£'000	£'000	£'000
Fixed assets:					
Tangible assets	10		6,710		6,801
Investments – traded (at market value)	11		18,192		15,585
Total fixed assets			24,902		22,386
Current assets:					
Stock		53		72	
Debtors	13	4,082		2,823	
Cash at bank and in hand		1,521		4,930	
Total current assets		5,656		7,825	
Creditors:					
Amounts falling due within one year	14	(2,200)		(2,162)	
Net current assets			3,456		5,663
Total assets less current liabilities			28,358		28,049
Creditors:					
Amounts falling due after one year	14		(3,618)		(3,866)
Defined benefit pension scheme liability	18(f)		(16,449)		(7,847)
Net assets			8,291		16,336
The funds of the charity:					
Unrestricted funds:					
Designated fund	17		6,750		12,383
Free reserves		17,990		11,800	
Pension reserve		(16,449)		(7,847)	
Net free reserves	17		1,541		3,953
Total charity funds			8,291		16,336

The financial statements on pages 19 to 41 were approved and authorised for issue by the Board of Directors on 1 October 2014 and signed on its behalf by



R D C Bunker
Chairman

Consolidated cash flow statement for the year ended 31 March 2014

	2014		2013	
	£'000	£'000	£'000	£'000
Net deficit for the year before interest, investment income and gains/losses on investments		(380)		(434)
Decrease / (Increase) in stocks	19		(72)	
Increase in debtors	(715)		(195)	
Decrease in creditors due:				
– within one year	(263)		(1,387)	
– after more than one year	-		(10)	
Impact of movement in pension scheme liability	-		(5)	
Depreciation/ amortisation/ impairment	205		219	
Net working capital movements		(754)		(1,450)
Net cash outflow from operating activities		(1,134)		(1,884)
Returns on investment and servicing of finance				
Investment income	476		450	
Mortgage interest	(226)		(239)	
		250		211
Capital expenditure and financial investment				
Purchase of tangible fixed assets	(114)		(11)	
Cash withdrawn / (allocated for investment)	387		(800)	
Purchase of investments	(7,649)		(2,609)	
Disposal of investments	5,342		2,875	
Net cash outflow from investing activities		(2,034)		(545)
Net cash outflow before financing		(2,918)		(2,218)
Financing:				
Mortgage repayments	(233)		(222)	
Net financing		(233)		(222)
Decrease in cash during the year (Note 19)		(3,151)		(2,440)

Notes to the financial statements

for the year ended 31 March 2014

1. Status of the NFER

The NFER is a body incorporated under the Companies Acts (Company No. 00900899), 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 (Charity No. 313392). The NFER's subsidiary undertakings are detailed in Note 12 to the accounts.

2. Accounting policies

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

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 2006. 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.

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 project 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 uncompleted projects which is unlikely to be recovered over the life of the project, is provided for in full when anticipated, and 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 salaries and expenditure directly incurred in the delivery of contracted research, educational products and product development. Staff salaries are allocated to specific projects and products based on the time spent on those activities.

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 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.

d) Research and product development

NFER invests in its own research and development activity. Research expenditure on both the NFER Research Programme and individual projects through the Business Development Fund is written off to the income and expenditure account in the period in which it is incurred. Development expenditure for new products is written off in the same way, and to the same fund, unless the directors are satisfied as to the technical, commercial and financial viability of individual projects. In this situation, the expenditure would be deferred and amortised over the period during which the company is expected to benefit. No current investment is amortised in this way.

e) 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	2 to 5 years
Other equipment	3 years
Motor vehicles	3 years

Freehold land is not depreciated.

Furniture and IT software is written off to the income and expenditure account in the year of purchase. Assets that are impaired in value are written down to their economic value.

Assets purchased/acquired for less than £500 are not capitalised.

f) Investments

Investments are stated in the balance sheet at market value.

g) Stock

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

h) Retirement 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 Scheme (BCCS).

Contributions payable 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 with the NFER in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quinquennial valuations using a prospective benefit 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.

The Foundation is a non-active member of the BCCS, a defined benefit pension scheme. The scheme is funded, with the assets held separately from the group in separate 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

[The notes on pages 23 to 41 form part of the financial statements](#)

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 amount charged to net income or expenditure are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the Statement of Financial Activities if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. 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

Unrestricted funds represent research projects funded by different sponsors, and other income, that contain no restriction relating to the use of those funds.

Designated funds are unrestricted funds set aside at the discretion of the trustees for specific purposes as described in Note 17 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.

j) 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.

k) Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling 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 charitable company's investments is updated to market value on a continuous basis. As a result all gains and losses on investments are classified as unrealised.

3. Income

	Group	
	2014	2013
	£'000	£'000
a) Voluntary income		
Subscriptions	6	10
	<u>6</u>	<u>10</u>
b) Investment income		
From listed investments	434	435
Interest on cash deposits	42	15
	<u>476</u>	<u>450</u>

c) Charitable activities

Contracted research

This comprises income from the following activities:

- undertaking research in matters related to education and training
- the development and use of assessment instruments and procedures
- undertaking survey and similar services to support research
- supplying outputs developed from the above to customers in educational institutions.

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

Educational products

This comprises the sale of educational products and services directly to schools and other clients, including our analysis and marking service; and the NFER Optional Tests.

d) Rent receivable

Rent receivable represents the rent, including service charge.

4. Resources expended

a) Investment management

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

b) Cost of charitable activities

	Direct salaries	Direct costs	Support costs	Group	
	Total	Total	Total	2014	2013
	£'000	£'000	£'000	Total	Total
				£'000	£'000
Contracted research	4,254	1,821	3,150	9,225	8,611
Educational products	509	359	377	1,245	1,726
Product development*	<u>276</u>	<u>58</u>	<u>205</u>	539	621
Total	<u>5,039</u>	<u>2,238</u>	<u>3,732</u>	11,009	10,958

*Product development expenditure is charged against the Business Development Fund.

c) Governance

	Group	
	2014	2013
	£'000	£'000
Board and board committee expenses	8	17
Audit and legal fees	88	71
Insurance	<u>28</u>	<u>28</u>
	124	116

5. Support costs

	Group	
	2014	2013
	£'000	£'000
Salary and pension costs	2,590	2,229
Property expenses	290	379
Depreciation	205	219
Training	31	32
Recruitment	85	49
Staff restaurant	20	105
Other infrastructure costs	<u>511</u>	<u>220</u>
	<u>3,732</u>	<u>3,233</u>

6. Transfer between funds

Transfers between unrestricted funds are shown in Note 17.

7. Surplus on ordinary activities

The surplus on ordinary activities is stated after charging:

	Group	
	2014	2013
	£'000	£'000
Other Costs:		
Auditor's remuneration (incl. VAT)		
– as auditors	20	20
– for other services	10	13
Depreciation and amortisation	205	219
Operating lease rentals – land and buildings	<u>45</u>	<u>62</u>

8. Employees

Staff costs during the year:

	Group	
	2014	2013
	£'000	£'000
Wages and salaries	5,967	6,603
Social security costs	479	566
Other pension costs	<u>496</u>	<u>506</u>
	<u>6,942</u>	<u>7,672</u>

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

Group and Company	2014		2013	
	FTE	Head count	FTE	Head count
Permanent staff	143	157	149	171
Temporary staff	<u>20</u>	<u>129</u>	<u>35</u>	<u>59</u>
	<u>163</u>	<u>286</u>	<u>184</u>	<u>230</u>
Research staff	108	172	108	127
Other staff	<u>55</u>	<u>114</u>	<u>76</u>	<u>103</u>
	<u>163</u>	<u>286</u>	<u>184</u>	<u>230</u>

No directors of the company received any remuneration in the current or previous year.

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

	2014 Number	2013 Number
£60,001–£70,000	2	2
£70,001– £80,000	2	1
£80,001– £90,000	2	1
£120,001–£130,000	0	1

The number of higher paid staff to whom retirement benefits are accruing under defined contribution pension schemes was 4 (2013: 4). The total contribution in respect of these employees was £30,777 (2013: £47,594).

9. Members of the Board

Trustees' expenses consisted of travel and subsistence costs to 7 Trustees (2013:11) which amounted to £5,747 (2013: £5,221).

During the year, insurance costing £5,871 (2013: £4,717) 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.

10. Tangible fixed assets

Group	Land £'000	Freehold property £'000	IT equipment £'000	Other equipment £'000	Motor Vehicles £'000	Total £'000
Cost						
1 April 2013	700	7,736	334	218	9	8,997
Additions in year	–	–	113	1	–	114
Disposals	–	–	–	–	–	–
31st March 2014	700	7,736	447	219	9	9,111
Depreciation						
1st April 2013	–	1,722	258	207	9	2,196
Charge for year	–	155	46	4	–	205
Disposals	–	–	–	–	–	–
31st March 2014	–	1,877	304	211	9	2,401
Net book amount						
31st March 2014	700	5,859	143	8	–	6,710
1st April 2013	700	6,014	76	11	–	6,801
Company						
	Land £'000	Freehold property £'000	IT equipment £'000	Other equipment £'000	Motor Vehicles £'000	Total £'000
Cost						
1 April 2013	700	7,736	331	218	9	8,994
Additions in year	–	–	113	1	–	114
Disposals	–	–	–	–	–	–
31st March 2014	700	7,736	444	219	9	9,108
Depreciation						
1st April 2013	–	1,722	255	207	9	2,193
Charge for year	–	155	46	4	–	205
Disposals	–	–	–	–	–	–
31st March 2014	–	1,877	301	211	9	2,398
Net book amount						
31st March 2014	700	5,859	143	8	0	6,710
1st April 2013	700	6,014	76	11	0	6,801

Capital commitments are disclosed in Note 16.

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

11. Investments

Group and Company

	2014	2013
Listed Investments	£'000	£'000
Market value at 1 April	14,785	13,564
Less: Disposals at opening book value	(5,342)	(2,875)
Add: Acquisitions at cost	7,649	2,609
Net gain on revaluation at 31 March	687	1,487
Market value at 31 March	17,779	14,785
Cash allocated for investment	413	800
Total Investments at 31 March	18,192	15,585

Investments can be analysed as follows:

UK Investments (including cash)	13,112	11,223
Non UK Investments	5,080	4,362
	18,192	15,585

Total investment income for the year amounted to £467k. £352k was derived from investments held in the UK. £124k derived from non UK investments.

The historic cost of listed investments is £14,601k (2013: £11,626k).

Holdings representing more than 5% of the listed investments:

	Market Value £000	Proportion of portfolio %
Jubilee Absolute Return Fund Class A GBP	1,085	6.1%

12. Subsidiary Undertakings

a) 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. At the balance sheet date the company had a net surplus on its capital and reserves of £12k (2013: £12k). Audited accounts are filed at Companies House.

NFER Trading Limited summary results were:

	2014	2013
	£'000	£'000
Sales	2,213	4,297
Cost of sales	<u>(1,075)</u>	<u>(2,589)</u>
Gross profit	1,138	1,708
Administrative expenses	(492)	(895)
Interest received	<u>3</u>	<u>3</u>
Trading profit	649	816
Gift Aid	(649)	(439)
Corporation tax	<u>—</u>	<u>—</u>
Retained profit after tax	<u>—</u>	<u>377</u>

b) Futurelab Education Limited

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

13. Debtors

	Group		Company	
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
Trade debtors	2,091	1,760	1,800	1,261
Other debtors	109	75	109	89
Prepayments and accrued income	105	116	105	116
Amounts recoverable on contracts	944	583	842	395
Subsidiary undertakings	<u>—</u>	<u>—</u>	<u>1,226</u>	<u>962</u>
	<u>3,249</u>	<u>2,534</u>	<u>4,082</u>	<u>2,823</u>

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

14. Creditors

	Group		Company	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Amounts falling due within one year				
Mortgage loan	252	237	252	237
Provision for pensions	9	9	9	9
Trade creditors	261	225	209	214
Other taxation and social security	287	357	287	354
Deferred income and payments on account	1,535	1,889	1,147	1,167
Accruals	325	200	296	181
	<u>2,669</u>	<u>2,917</u>	<u>2,200</u>	<u>2,162</u>
Amounts falling due more than 1 year:				
Mortgage Loan	3,571	3,819	3,571	3,819
Provision for pensions	47	47	47	47
	<u>3,618</u>	<u>3,866</u>	<u>3,618</u>	<u>3,866</u>

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 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 by way of fixed charge over the assets of the Foundation, and the Foundation is required to maintain a loan to value (LTV) ratio below 60%. The LTV ratio as at the 31st March 2014 was 45.3% (2013: 48.1%)

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

15. 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 2015:

	2014	2014	2013	2013
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Expiring:				
Within one year	–	–	22	–
Between two to five years	<u>3</u>	<u>18</u>	<u>3</u>	<u>17</u>
	<u>3</u>	<u>18</u>	<u>25</u>	<u>17</u>

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

	2014 £'000	2013 £'000
Within one year	252	237
Between two and five years	1,154	1,092
More than 5 years	<u>2,417</u>	<u>2,727</u>
Total	<u>3,823</u>	<u>4,056</u>

The mortgage term is 20 years from May 2005. The mortgage is secured by way of a charge over the assets of the Foundation.

16. Capital commitments

As at the 31 March 2014 the NFER had approved capital commitments of £nil (2013: £nil).

17. Statement of movement in Reserve Funds: 1 April 2013 to 31 March 2014

Group	Unrestricted funds					Undesignated Accumulated Fund (including pension liability)	TOTAL	
	Designated						£'000	2014
	Fixed Assets Fund	Pension Reserve Fund	Business Development Fund	Impact Fund	Total Designated			£'000
	£'000	£'000	£'000	£'000	£'000		£'000	£'000
Funds								
Balance brought forward at 1 April 2013	6,801	3,068	2,514	-	12,383	3,965	16,348	16,221
Net movement in resources	(91)	-	(539)	-	(630)	(7,415)	(8,045)	127
Transfers between funds	-	(3,068)	(1,975)	40	(5,003)	5,003	-	-
Balance carried forward at 31 March 2014	6,710	-	-	40	6,750	1,553	8,303	16,348
Represented by:								
Fixed assets	6,710	-	-	-	6,710	18,192	24,902	22,386
Current assets	-	-	-	40	40	6,097	6,137	8,592
Creditors falling due within one year	-	-	-	-	-	(2,669)	(2,669)	(2,917)
Creditors falling due after one year	-	-	-	-	-	(3,618)	(3,618)	(3,866)
Defined benefit pension liability	-	-	-	-	-	(16,449)	(16,449)	(7,847)
	6,710	-	-	40	6,750	1,553	8,303	16,348

The notes on pages 23 to 41 form part of the financial statements

Company

	Unrestricted funds					Undesignated Accumulated Fund (including pension liability)	TOTAL		
	Designated						£'000	2014	2013
	Fixed Assets Fund	Pension Reserve Fund	Business Development Fund	Impact Fund	Total Designated			£'000	£'000
	£'000	£'000	£'000	£'000	£'000				
Funds									
Balance brought forward at 1 April 2013	6,801	3,068	2,514	-	12,383	3,953	16,336	16,221	
Net movement in resources	(91)	-	(539)	-	(630)	(7,415)	-	115	
Transfers between funds	-	(3,068)	(1,975)	40	(5,003)	5,003	(8,045)	-	
Balance carried forward at 31 March 2014	6,710	-	-	40	6,750	1,541	8,291	16,336	
Represented by:									
Fixed assets	6,710	-	-	-	6,710	18,192	24,902	22,386	
Current assets	-	-	-	40	40	5,616	5,656	7,826	
Creditors falling due within one year	-	-	-	-	-	(2,200)	(2,200)	(2,162)	
Creditors falling due after one year	-	-	-	-	-	(3,618)	(3,618)	(3,866)	
Defined benefit pension liability	-	-	-	-	-	(16,449)	(16,449)	(7,847)	
	6,710	-	-	40	6,750	1,541	8,291	16,336	

The notes on pages 23 to 41 form part of the financial statements

17. Statement of movement in Reserve Funds: 1 April 2013 to 31 March 2014 (continued)

Designated funds

In accordance with their legal duty of care, the Board of Trustees have designated unrestricted reserves for the following purposes:

Business Development Fund

This fund recognises NFER's need to invest in the development of the business, in particular the development of new products and services as part of an income diversification strategy. The fund also provides for future improvements to facilities at the buildings in Slough, as well as to fund small-scale methodological research projects which are unlikely to be funded externally. The balance has been reduced to zero to bolster the group's free reserves.

Fixed Assets

The value of this fund is equal to the fixed asset value on the balance sheet (of which most is property). This designation is considered good practice amongst charities, as 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).

Pension Reserve

This is a reserve designated to recognise the uncertainty and volatility surrounding the (now closed) defined benefit pension scheme. This has been reduced to zero this year as the trustees do not see the need for a pension contingency over and above the FRS17 valuation.

Impact Fund

This fund is an amount set aside to be used directly for impact activities, enabling the charity to take advantage of opportunities identified by the Impact Team to inform policy and influence practice. This provides increased flexibility in strengthening the impact of NFER's activities.

Undesignated funds

Accumulated Fund

Should there be a significant down turn in business in one or more areas of activity, the charity will need reserves to fund committed expenditure whilst sourcing alternative funding or planning for downsizing. The target level of undesignated reserves is consequently based on three to six months expenditure: providing a range of £2.1m to £4.2m.

Restricted funds

No restricted funds were held at the reporting date.

18. Pension benefits

As at 31 March 2014 the NFER 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.

Active membership of the Buckinghamshire County Council Pension Fund, a defined benefit pension scheme, ceased in 2011.

Basis of Preparation

This note is prepared in accordance with Financial Reporting Standard 17 (FRS 17).

18. Pension benefits (continued)

Defined Contributions 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, known as Teachers' Pensions, is governed by the Teachers' Pensions Regulations 1997, as amended. 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 for the period 2001 to 2004. The report published in October 2006 revealed that future liabilities of the scheme (pensions currently in payment and the estimated cost of future benefits) amounted to £166,500 million. The value of the assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) was £163,240 million. The assumed real rate of return is 3.5% in excess of the prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 1.5%. The assumed gross rate of return is 6.5%.

As from 1st January 2007, and as part of a cost-sharing agreement between employers and teachers' representatives, the standard contribution has been assessed at 19.75%, plus a supplementary contribution of 0.75% (to balance assets and liabilities as required by regulations within 15 years): a SCR of 20.5%. This translates into an employee contribution rate of 6.4% and an employer contribution rate of 14.1% payable.

Under the definitions set out in FRS 17, the TPS 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 17 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 Scheme is accounted for as a defined benefit scheme under Financial Reporting Standard 17 (FRS 17) Retirement Benefits.

From 1 July 2011, the NFER, following agreement with the Buckinghamshire County Council Pension Fund, ceased active membership of the defined benefit pension scheme. Annual payments over the next 3 years are to be agreed with the scheme and the actuary.

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 was as at 31 March 2013.

18. Pension benefits (continued)

The valuation in 2013 (next valuation is due in 2016) showed that the market value of the total fund's assets was £1,768m (2010: £1,321m) and the deficiency of liabilities accrued up to 31 March 2013 over the actuarial value of assets was £388million (2010: £348m), equivalent to an 82% (2010: 79%) funding level.

The contributions of the Foundation to the fund are based on 12.8% of gross pensionable salary. At 31 March 2013 there were 0 (2010: 207) active members of the scheme, with 325 (2010: 117) deferred pensioners and 154 (2010: 151) pensioners.

The actuarial valuation has been updated on an approximate basis to 31 March 2014 as set out below.

a) Assumptions

i) Demographic

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

	Retiring today (March 2014) Years	Retiring in 20 years (March 2034) Years
Males	23.6	25.8
Females	26.0	28.3

ii) Financial

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

	At 31 March 2014	At 31 March 2013	At 31 March 2012
Price increases (RPI)	3.6%	3.4%	3.1%
Price increases (CPI)	2.8%	2.6%	2.3%
Rate of increase in salaries	2.8%	2.6%	2.3%
Rate of increase in pensions	2.8%	2.6%	2.3%
Discount rate	4.5%	4.5%	4.8%

b) Expected rate of return on assets by asset class

	Assets as at 31 March 2014 %pa	Assets as at 31 March 2013 %pa	Assets as at 31 March 2012 %pa
Equities	7.0%	6.7%	7.0%
Property	5.8%	6.2%	6.5%
Gilts	3.6%	3.0%	3.3%
Other bonds	4.2%	4.1%	4.8%
Cash	3.4%	0.5%	3.0%
Alternative assets	7.0%	6.7%	7.0%
Total	6.4%	6.2%	6.4%

18. Pension benefits (continued)

c) Net pension liability

	As at 31 March 2014 £000's	As at 31 March 2013 £000's	As at 31 March 2012 £000's
Present value of funded obligations	43,133	35,483	30,960
Fair value of scheme assets (bid value)	<u>(26,728)</u>	<u>(27,701)</u>	<u>(24,308)</u>
Net liability	16,405	7,782	6,652
Present value of unfunded obligation	<u>44</u>	<u>65</u>	<u>63</u>
Net Liability in Balance Sheet	<u>16,449</u>	<u>7,847</u>	<u>6,715</u>

d) Statement of financial activities costs for the year:

The amounts recognised in the statement of financial activities are:	Year to 31 March 2014 £000's	Year to 31 March 2013 £000's
Current service cost	–	–
Interest on obligation	1,559	1,457
Expected return on scheme assets	(1,666)	(1,509)
Past service cost	–	–
Loss on curtailments and settlements	<u>–</u>	<u>–</u>
Total	<u>(107)</u>	<u>(52)</u>
Actual return on scheme assets	<u>1,781</u>	<u>4,744</u>

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 2014 £000's	Year to 31 March 2013 £000's
Opening defined benefit obligation	35,548	31,023
Service Cost	–	–
Interest Cost	1,559	1,457
Actuarial losses	7,896	4,424
Losses on curtailments	–	–
Estimated benefits paid net of transfers in	(1,820)	(1,351)
Contributions by scheme participants	–	–
Unfunded pension payments	<u>(5)</u>	<u>(5)</u>
Closing defined benefit obligation	<u>43,177</u>	<u>35,548</u>

18. Pension benefits (continued)

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

	Year to 31 March 2014 £000's	Year to 31 March 2013 £000's
Opening fair value of scheme assets	27,701	24,308
Expected return on scheme assets	1,666	1,509
Actuarial gains/(losses)	(819)	3,235
Contributions by employer including unfunded benefits	5	5
Contributions by scheme participants	–	–
Estimated benefits paid net of transfers in and including unfunded benefits	<u>(1,825)</u>	<u>(1,356)</u>
Fair value of scheme assets at end of period	<u>26,728</u>	<u>27,701</u>

f) Reconciliation of opening and closing surplus

Year to 31 March	2014 £000's	2013 £000's
Deficit at beginning of the year	(7,847)	(6,715)
Current Service Cost	–	–
Employer Contributions	–	–
Unfunded pension payments	–	5
Past Service Costs	–	–
Other Finance Income	107	52
Settlements/Curtailments	–	–
Actuarial losses	<u>(8,709)</u>	<u>(1,189)</u>
Deficit at end of the year	<u>(16,449)</u>	<u>(7,847)</u>

g) Amounts for the current and previous periods

Amounts for the current and previous four periods	Year to March 2014 £ 000's	Year to March 2013 £ 000's	Year to March 2012 £ 000's	Year to March 2011 £ 000's	Year to March 2010 £ 000's
Defined benefit obligation	(43,177)	(35,548)	(31,023)	(28,747)	(39,820)
Scheme assets	<u>26,728</u>	<u>27,701</u>	<u>24,308</u>	<u>26,258</u>	<u>23,204</u>
(Deficit)	<u>(16,449)</u>	<u>(7,847)</u>	<u>(6,715)</u>	<u>(2,489)</u>	<u>(16,616)</u>
Experience adjustments on scheme liabilities	(4,621)	–	–	3,674	–
Percentage of liabilities	(9.9%)	–	–	12.8%	–
Experience adjustments on scheme assets	(819)	3,235	(2,688)	1,388	4,571
Cumulative actuarial (loss)/gain	3.1%	11.7%	(11.0%)	5.3%	19.7%
	(6,569)	2,141	3,330	7,773	(4,037)

The notes on pages 23 to 41 form part of the financial statements

18. Pension benefits (continued)

Statement of recognised gains and losses (STRGL)

	Year to March 2014 £ 000's	Year to March 2013 £ 000's
Actual return less expected return on pension scheme assets	115	3,235
Experience loss	(5,195)	–
Changes in assumptions underlying the present value of the scheme liabilities	<u>(3,630)</u>	<u>(4,424)</u>
Actuarial losses in pension scheme	(8,710)	(1,189)
Increase/ (decrease) in irrecoverable surplus	<u>–</u>	<u>–</u>
Actuarial losses recognised in STRGL	<u>(8,710)</u>	<u>(1,189)</u>

19. Notes to the cash flow statement

a) Reconciliation to net funds

	2014 £ 000's	2013 £000's
Net funds at 1 April (Note 19(b))	1,930	4,148
Decrease in cash during the year	(3,151)	(2,440)
Cash outflow from reduction of debt	<u>233</u>	<u>222</u>
Net funds at 31 March (Note 19(b))	<u>(988)</u>	<u>1,930</u>

b) Analysis of net funds

	At 1 April 2013 £'000	Cash flows £'000	Non-cash movements £'000	At 31 March 2014 £'000
Cash at bank	5,986	(3,151)	–	2,835
Debt – due within one year	(237)	237	(252)	(252)
Debt – due after more than one year	(3,819)	(4)	252	(3,571)
	1,930	(2,918)	–	(988)

20. Results of the Company

As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the National Foundation for Educational Research has not been presented as part of these financial statements. The results of the parent undertaking for the year ended 31 March 2014 was a net deficit of £8,045k (2013: surplus of £115k).

21. Related party transactions

The parent company has taken advantage of the exemption in Financial Reporting Standard 8 not to disclose transactions with wholly owned subsidiaries.

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