

**NATIONAL INSTITUTE OF ECONOMIC AND SOCIAL RESEARCH**  
**(Incorporated) (The)**  
**(A company limited by guarantee)**

**Report and financial statements**  
**Registered number: 341010**  
**Charity number: 206083**  
**31 March 2012**

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## Reference and administrative information

### Trustees (Members of the Council of Management)

Professor TJ Besley\* (Chairman)

N C F Barber\*~

K Barker°

Professor C Bean^

B Curtis\*

Professor J Ermisch°

Professor J Hills^

Professor H Joshi~

H H Liesner<sup>1</sup>

J Llewellyn

Sir N Monck

Lord M Oakeshott

S Wadhvani\*

J Portes^

\* Member of Investment Committee

° Member of Audit Committee

~ Member of Ethics Committee

^Member of Remuneration Committee

<sup>1</sup> Resigned 17<sup>th</sup> November 2011

### Chief Executive

J Portes

### Company Secretary

G S Clisham

### Registered Office & Principal Place of Business

2 Dean Trench Street, Smith Square, London, SW1P 3HE

**Registered Number:** 341010      **Charity Number:** 306083

### Auditors

PKF (UK) LLP, Farringdon Place, 20 Farringdon Road, London EC1M 3AP

### Bankers

Bank of Scotland, 600 Gorgie Road, Edinburgh, EH11 3XP

Lloyds TSB Plc, 4 Dean Stanley Street, Millbank, London, SW1P 3HU

### Solicitors

Pannone & Partners, 123 Deansgate, Manchester, M3 2BU

## Trustees' report

The trustees, who are also directors of the charity for the purposes of the Companies Act, submit their annual report and the audited financial statements for the year ended 31 March 2012. The trustees have adopted the provisions of the Statement of Recommended Practice "Accounting and Reporting by Charities" as revised in 2005 (SORP 2005) in preparing the annual report and financial statements of the charity, as well as complying with current statutory requirements and the Memorandum and Articles of Association.

### 1. STRUCTURE, GOVERNANCE AND MANAGEMENT

- The organisation is a charitable company limited by guarantee and was founded on 2 June 1938. It is governed by a memorandum and articles of association which have been in place since incorporation.
- The Board of Trustees consists of senior representatives from policy-making, business and academia. This enables the trustees to be effective in providing advice and guidance to the Institute's management. Applications for trusteeship are by recommendation from the Chairman of the trustees. New trustees can be elected only at the charity's Annual General Meeting and co-opted at other times subject to election at the next AGM. Prior to election, trustees are made aware of their obligations in relation to the Charity in line with the Memorandum and Articles of Association. Trustees are provided with information on the research activities of the Charity on a quarterly basis and are given the opportunity to attend annual presentations by the research team leaders. This gives them the opportunity to discuss the present research portfolio directly with staff. The number of trustees must not be fewer than seven or greater than twenty-five. The trustees meet four times a year.
- Members of the charity guarantee to contribute an amount not exceeding £1 to the assets of the Charity in the event of winding up. The total number of such guarantees at 31 March 2012 was 14.
- The overall management of the Charity is carried out by its Chief Executive who reports to the board of trustees (the "board") on a quarterly basis. He is particularly responsible for managing the research portfolio and acts as the figurehead of the organisation. The Secretary of the Institute runs the administration of the organisation and also reports to the board.
- The Institute has several sub committees. The Investment Committee is made up of trustees who are appointed for their particularly high level of expertise and experience and is chaired by the Chairman of the Institute. The Audit Committee is made up of trustees with appropriate experience and is chaired by Kate Barker. Both committees operate under specific terms of reference which delegate certain functions from the trustee board. Since the year end, a Remuneration committee has been established to consider the pay of senior staff. Each committee has its decisions ratified by the board.
- An Ethics Committee exists which has the responsibility to consider ethical issues in relation to grant applications. This reports to the main Council and comprises trustees NCF Barber and Professor Heather Joshi. Professor Joshi is considered an expert in this sphere due to her extensive academic experience. It meets on an ad hoc basis when the need arises.

### 2. RISK REVIEW

The trustees actively review the operational and business risks which the charity faces. These cover both short and long term risk and in particular concern personnel, financial, computing and management risk. The trustees confirm that they are satisfied that strategies, systems and controls are in place to, as far as possible, mitigate any significant risk.

The main short-term risk that the Institute faces is the current challenging funding environment with UK government austerity measures affecting the procurement of external research services. The Institute is trying to mitigate this by seeking funding from alternative sources but it remains to be seen as to whether this will be able to completely cover any shortfall in available funding from the UK government. This will possibly become clearer during the coming months and is something which is being monitored carefully by the trustees.

NIESR also faces risks due to its reliance on the recruitment and retention of its highly specialised research staff with only a small pool of people outside the Institute who have the necessary skills and expertise. The concern arises mainly over senior staff. The main long-term risk is that of gradual contraction through a failure either to

recruit enough established researchers or a failure to develop our own researchers fast enough to make up for staff turnover. It should be noted that recruitment at a senior level is, itself, risky but something which can be mitigated by buying in time from visiting academics in the expectation that they will raise grants and run projects.

In addition, there is a business risk that the Institute does not attract appropriate projects and funding. The Trustees consider that this is in large part a function of the staff employed and is managed accordingly. The resources available to public bodies and charities which commission research are evidently also relevant.

The Institute has proper procedures in place to ensure that our accounting arrangements have been set up in a way to minimise the risk of fraud with robust systems set up for authorisation. There are also a number of personnel who have adequate knowledge of the accounting systems to ensure that transparency of activity is achieved whilst protecting confidentiality.

### **3. PUBLIC BENEFIT**

The National Institute of Economic and Social Research's primary purpose is to carry out economic and social research which is of high academic standard. Much of this research is relevant to policy and as such it has a significant influence on public debate. It is not always possible to gauge how much this research does affect future policy as assessment and possible implementation of policies based on NIESR's original research may take some time to materialise. However, members of NIESR's staff are invited to give evidence to parliamentary select committees and our research is cited in parliamentary debates.

NIESR regularly appears in the written and broadcast media giving expert opinion on issues of public interest. Members of NIESR's staff write articles for newspapers as well as commenting on current issues.

NIESR realises the importance of disseminating its research to as wide an audience as possible. With this in mind, it holds regular seminars, the vast majority of which are free of charge. Many of these are suitable for a non-specialist audience such as the Westminster Economics Forum which is designed for policymaking and business and funded by the ESRC.

The Institute provides free copies of all its published research reports and discussion papers via its website at [www.niesr.ac.uk](http://www.niesr.ac.uk). It also provides indicators on the state of the economy which are free to download. The website also contains videos of seminars and press conferences which are open access.

The Institute has a global econometric model which is licenced annually to many European Central Banks and international organisations such as the IMF. The model's use within these organisations helps to widen the influence of NIESR's research and allows our expertise to influence policy decisions not only in the UK but worldwide. The model is licenced to subscribers to cover the costs of the research staff needed to develop this model and not to generate a profit for the organisation.

During 2011 NIESR received a legacy of £10,000 from a former Secretary, Mrs Kit Jones. This is being used to provide an annual paid work placement for a sixth form student from the London Borough of Barking and Dagenham. The staff of NIESR felt that this was a worthwhile use of the funds and in line with the organisation's charitable aims and accordingly it is being treated as a Designated fund in the attached accounts.

In its role as an educational charity NIESR strives to disseminate all its research as widely as possible and to undertake research which ultimately resides in the public domain. It publishes widely in all media and ensures that its staff are available for expert comment when appropriate. Research funding obtained enables NIESR staff to improve knowledge of issues which are of importance to both the UK and worldwide economy, with the ultimate aim to improve social and economic welfare. This was the purpose of the Institute's foundation in 1938 and remains central to its ethos today.

The trustees confirm that they have complied with the duty in Section 17 of the Charities Act 2011 to have due regard of the Charity Commission's general guidance on public benefit.

### **4. OBJECTIVES AND ACTIVITIES**

In more detail, the objectives of the National Institute of Economic and Social Research are:

- To carry out high-quality economic and social research which is of good academic standing and likely also to be relevant to the needs of policy-makers.
- To intervene in relevant policy debates in appropriate ways.
- To contribute to the economic and social research infrastructure.
- To provide a framework in which National Institute research staff can develop their careers and reputations.

In order to carry out these objectives the National Institute aims to:

- Maintain a cadre of research staff with appropriate mixes of experience and expertise.
- Encourage research staff to participate actively in dissemination of research to media and directly to users and potential sponsors of research.
- Support as far as possible staff involvement in public service activities such as refereeing for journals and public bodies nationally and internationally and contributing to activities of Government in an expert capacity.
- Advise and encourage staff in i) writing up work for publication, ii) developing research proposals and iii) promoting research and research capability to users and sponsors of research.
- Seek funding from all appropriate sources to provide the means needed for the Institute to carry out research.
- Maintain the scale of the Institute's operations large enough to allow its fixed costs to be spread in a way which is manageable.
- Provide efficient financial and administrative management to allow research staff to carry out their activities.

These objectives are pursued through three main channels:

- A wide variety of research projects on topics of contemporary interest both to policy makers and academic audiences are pursued and disseminated through seminars and publications. This work is commissioned and funded by the European Commission, Government departments, the Economic and Social Research council and certain foundations.
- The Institute has developed an econometric model (NIGEM) which contributes to our understanding of the working of the economy and thus to the economic and social infrastructure and also provides revenue to support the organisation's charitable objectives. User licences are sold to a variety of organisations including central banks, private sector financial organisations, UK Treasury and the Bank of England.
- NIESR's subsidiary company – NIESR Services Ltd – generates income through the publication of a quarterly journal which enjoys a high reputation and has a worldwide subscription base. New opportunities for wider circulation and visibility are currently being sought in conjunction with the publisher. This includes a greater use of social media and pay per view options.

NIESR Services Ltd also acts as the vehicle for the sale of a primary school maths system jointly developed with the London Borough of Barking and Dagenham. This is now of less significance in terms of income generation than in previous years and is being run down. Sales of the materials have tailed off considerably and the scheme seems to have run its course. This is an expected outcome for a learning scheme after a period of time, as trends in teaching evolve.

The trustees intend to continue following the above strategy whilst reviewing other options to spread further the knowledge acquired.

#### 4. FINANCIAL REVIEW

- **Financial Review**

The Statement of Financial Activities for the year (page 9) shows a shortfall in incoming resources before other recognised gains of £86,742 (2011 – shortfall of £2,034) arising from gross income of £2, 888,174 on the unrestricted fund (2011 - £2,888,282).

The recent income for the Institute can be summarised as follows:

	2007-08	2008-09	2009-10	2010-11	2011-12
Income:-	£	£	£	£	£
-Donations	27,040	44,000	41,000	29,000	46,000
-Publications	244,766	195,846	203,093	152,116	160,624
-Econometric model fees	376,630	422,451	418,538	348,240	411,550
-Misc income	40,662	56,408	55,128	49,875	17,424
-Fees for research work	1,505,854	1,792,584	1,990,606	2,180,779	2,205,987
Investment Income:	169,884	145,275	116,902	128,272	111,589
	<b>2,364,836</b>	<b>2,656,564</b>	<b>2,825,267</b>	<b>2,888,282</b>	<b>2,953,174</b>

Total expenditure, which fluctuates in line with research funding, increased by £149,600 to £3,039,916 during the year. As shown by the Accounts, the main costs of the Charity are staff costs required to deliver projects and maintain the econometric model.

The Institute's aim is to balance income and expenditure in the long run, with the inevitable implication that small surpluses and deficits can arise from one year to the next. The trustees regard the deficit for this year as perfectly consistent with that aim.

The balance sheet shows a decrease in unrestricted funds of approximately 3 per cent, mainly due to the fall in investment values. There are no restricted funds.

- **Investment policy**

The trustees have the power to invest in such assets as they see fit. The charity seeks to maximise its total return from investments. During the year there has been a decrease in the value of these investments of £373,999 (2011 – increase £44,095).

- **Policy on holding reserves**

The Institute employs academic staff on a long-term (indefinite) basis and must do so to attract good research workers. The income that they earn, on the other hand, comes primarily from grants for research work which are short-term, and whose future generation is uncertain. Hence the Institute must have financial reserves to insure against temporary dips in research income, and to ensure continuity in the conduct of its activities. This is particularly relevant in the current research funding environment when levels of commissioning from government departments remain unclear.

Moreover, these financial reserves provide income. The Institute has to make its bids for research projects competitive, and the availability of such investment income enables it to pitch its bids for research projects at a level that has enabled it to continue to generate sufficient core research income to break even overall on average.

Taking all these matters into account the trustees consider that the present level of unrestricted reserves (£4,485,319 as at 31 March 2012) is adequate. Based on the balance sheet a breakdown to reflect the objectives set out above would be:

	£
Fixed assets and investments, held on a long term basis principally to generate income for the charity	3,354,249
Free reserves, representing a buffer to meet operating costs	<u>1,131,070</u>
Total reserves	4,485,319

## 5. ACHIEVEMENTS & PERFORMANCE

The Institute has maintained its main objectives by continuing to provide high quality research and timely as well as authoritative contributions to the debates of the day. The table below shows the levels of publications and media activity showing a significant increase in appearances in broadcast media largely as a result of recent political and economic events.

	2007-8	2008-9	2009-10	2010-11	2011-12
Research reports, articles, chapters in books	112	163	179	119	95
Conference and seminar presentations	41	27	93	69	56
Appearances on broadcast media	32	66	124	279	500

In addition NIESR staff appeared at Parliamentary Select Committees; as in previous years there have been numerous references to the Institute and its work in the press. The media coverage is a function of projects underway or completed in the year – some of which may have been commissioned some time ago. The number of publications has been lower in the past year due to the type of projects being undertaken and the dissemination activities which have resulted from the research. This is also affected by the research staff in post and their priorities in terms of type of publication. As can be seen by the table, this figure fluctuates from year to year and is not necessarily a continuing downward trend. The broadcast media appearances reflect the Institute's comments on the key issues of the day. In addition to the above publicity, there has been a significant presence on social media.

### NIESR Services Limited

The charity's wholly-owned trading subsidiary carries out non-charitable trading activities for the charity and transfers all its taxable profits to the charity by a deed of covenant. The principal activities of the company are receiving royalties from the *National Institute Economic Review* and other publications, organising conferences and seminars and the publication and distribution of the Improving Primary Mathematics scheme, though as stated earlier, this scheme is running down.

To support the work of the Institute, the Review continues to command a wide international readership and generates a considerable amount of comment from both the written and broadcast media.

## 6. PLANS FOR THE FUTURE

The Institute aims to continue to carry out high quality economic and social research of relevance to policy makers and the business community at a scale comparable to previous years. It aims to do this through revenue generation from grant making bodies such as government departments, research councils and charitable foundations. The Institute's management team sees careful financial planning as an essential component of sustainability and therefore has systems in place to project funding for up to two years in advance. Members of staff are therefore aware of any gaps which they need to address and seek funding accordingly.

The Institute has a management report which is reviewed in detail by Trustees every year. This indicates possible areas of development and expansion and outlines the strategy to be used in achieving these goals including

- NIESR is aware that the wide dissemination of its research is key to its aims and objectives. With this in mind work continues on expanding the portfolio of web-based products which are targeted at a variety of audiences. Improved marketing and dissemination of NIESR's journal is being developed including greater use of social media.
- Continuing work to update and provide access to the NIGEM economic model with the aim of attracting further high quality users.
- The Institute continues to develop its social policy research area. It is hoped that this will include research such as evaluations of high profile government schemes. This will enable the organisation to strengthen its presence and influence in the UK policy debate.



- NIESR is beginning to feel the effects of a contraction in government funding. It is therefore seeking alternative sources of funding to retain a wide portfolio of projects and funders in an aim to mitigate any risk to the organisation. This has already started to produce results with funding being awarded by organisations such as the Barrow Cadbury Trust and the Gatsby Foundation.

## 7. PEOPLE

Employees have been consulted on issues of concern to them by means of regular consultative committee and staff meetings and have been kept informed on specific matters directly by management. A staff member attends the Council meetings as an observer.

The charity has implemented policies in relation to personnel matters including an Equal Opportunities policy and an Health & Safety policy. In accordance with the charity's equal opportunities policy, the charity has long established fair employment practices in the recruitment, selection, retention and training of staff.

## 8. AUDITORS

A resolution to re-appoint PKF (UK) LLP as auditors of the charity will be put to the Annual General Meeting.

## 9. STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the Trustees are aware, there is no relevant audit information (as defined by Section 418(2) of the Companies Act 2006) of which the company's auditors are unaware, and each trustee has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

By order of the board  
**J Portes**  
*Trustee and Director*

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## STATEMENT OF TRUSTEES' RESPONSIBILITIES

The trustees are responsible for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company and charity law requires the trustees to prepare financial statements for the group and parent charity for each financial year. Under company law the trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent charity and of the incoming resources and application of resources, including its income and expenditure, of the group for the year. In preparing the 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 judgments and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

The trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the group and parent charity's transactions and disclose with reasonable accuracy at any time the financial position of the group and parent charity and enable them to ensure that the financial statements comply with the Charities Act 2011 and regulations made thereunder and with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the group and parent charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS AND TRUSTEES OF THE NATIONAL INSTITUTE OF ECONOMIC AND SOCIAL RESEARCH**

We have audited the group and parent charity financial statements ("the financial statements") of The National Institute of Economic and Social Research for the year ended 31 March 2012 which comprise the consolidated statement of financial activities, the consolidated and parent charity balance sheets, 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 charity's members, as a body, in accordance with Chapter 3 of part 16 of the Companies Act 2006 and in accordance with regulations made under section 154 of the Charities Act 2011. Our audit work has been undertaken so that we might state to the charity's members and trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity, the charity's members as a body and the charity's trustees 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 statement of trustees' responsibilities, the trustees (who are also directors of the 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. We have been appointed as auditor under section 144 of the Charities Act 2011 and under the Companies Act 2006 and report in accordance with those Acts. 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 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 parent charity'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 and financial statements to identify material inconsistencies with the audited financial statements. 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 parent charity's affairs as at 31 March 2012 and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Charities Act 2011 and regulations made thereunder and the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the trustees' annual report 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 regulations made under the Charities Act 1993 and where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate and sufficient accounting records have not been kept in respect of the parent charity, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent charity financial statements do not accord with the accounting records; or
- certain disclosures of trustee's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Karen Thompson (Senior statutory auditor)  
for and on behalf of PKF (UK) LLP, Statutory auditor  
London, UK

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**Consolidated Statement of Financial Activities**  
**(Incorporating an income and expenditure account)**

	Note	2012			2011
		£	£	Total	£
		Unrestricted	Restricted		
<b>Incoming resources</b>					
<b>Incoming resources from generated funds</b>					
<b>Voluntary income:-</b>					
-Donations		46,000		46,000	29,000
					-
<b>Activities for generating funds:-</b>					
-Publications		160,624		160,624	152,116
-Misc income		17,424		17,424	49,875
<b>Investment Income:-</b>					
-Income from investments		111,050		111,050	127,545
-Other interest receivable		539		539	727
<b>Incoming resources from charitable activities</b>					
-Econometric model fees		411,550		411,550	348,240
-Fees for research work	2	2,140,987	65,000	2,205,987	2,180,779
					-
<b>Total incoming resources</b>		<b>2,888,174</b>	<b>65,000</b>	<b>2,953,174</b>	<b>2,888,282</b>
<b>Resources expended</b>					
Costs of Generating Funds					
-Fund raising trading – publications		119,578		119,578	162,979
Charitable activities	3	2,785,933	65,000	2,850,933	2,668,198
Governance costs	5	69,405		69,405	59,139
<b>Total resources expended</b>		<b>2,974,916</b>	<b>65,000</b>	<b>3,039,916</b>	<b>2,890,316</b>
<b>Shortfall of incoming resources before other recognised gains</b>					
		(86,742)	-	(86,742)	(2,034)
<b>Other recognised gains/(losses)</b>					
Realised gains/(losses)	8	131		131	(4,321)
Unrealised gains/(losses)	10	(64,962)		(64,962)	185,250
<b>Net movements in funds</b>					
Balance brought forward at 1 April 2011		4,636,892	-	4,636,892	4,457,997
<b>Balance carried forward at 31 March 2012</b>	15	<b>4,485,319</b>	<b>-</b>	<b>4,485,319</b>	<b>4,636,892</b>

The surplus for the year for Companies Act purposes comprises net incoming resources for the year less realised losses and was a deficit of £86,611 (2011 deficit - £6,355).

The individual company Statement of Financial Activities (SOFA) has not been prepared but can be determined by deducting the subsidiary company's results as detailed in note 17 from the consolidated statement above. The Charity's gross incoming resources amounted to £2,800,590 (2011 - £2,809,327) and a deficit of £171,603 (2011 deficit - £49,178 ).

All incoming resources and resources expended derive from continuing activities.

**Consolidated and Charity Balance Sheet  
at 31 March 2012**

	Note	Group 2012 £	Group 2011 £	Charity 2012 £	Charity 2011 £
<b>Fixed assets</b>					
Tangible assets	9	210,773	218,742	210,773	218,742
Investments	10,16	3,143,476	3,517,475	3,143,478	3,517,477
		<b>3,354,249</b>	3,736,217	<b>3,354,251</b>	3,736,219
<b>Current assets</b>					
Stocks	11	8,542	7,993	-	-
Debtors – owed by subsidiary undertaking		-	-	52,222	43,125
Debtors – trade and other debtors	12	1,450,101	1,450,207	1,417,424	1,364,914
Cash at bank and in hand	13	261,051	343,552	184,070	253,292
		<b>1,719,694</b>	1,801,752	<b>1,653,716</b>	1,661,331
Creditors: amounts falling due within one year	14	(588,624)	(901,077)	(522,648)	(760,658)
Net current assets		<b>1,131,070</b>	900,675	<b>1,131,068</b>	900,673
Total assets less current liabilities		<b>4,485,319</b>	4,636,892	<b>4,485,319</b>	4,636,892
<b>Net assets</b>		<b>4,485,319</b>	4,636,892	<b>4,485,319</b>	4,636,892
Unrestricted funds	15	4,485,319	4,636,892	4,485,319	4,636,891
Restricted funds		-	-	-	-
<b>Total funds</b>		<b>4,485,319</b>	4,636,892	<b>4,485,319</b>	4,636,892

These financial statements were approved and authorised for issue by the Board of Directors on \_\_\_\_\_.

These accounts should be read in conjunction with the notes set out on pages 11 to 19.

.....  
Professor TJ Besley  
Director

## ***Notes*** ***(forming part of the financial statements)***

### **1 Accounting policies**

#### ***Basis of preparation***

These financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards, with the exception of investments which are included at market value. The financial statements have been prepared in accordance with Statement of Recommended Practice, "Accounting and Reporting by Charities" as revised in 2005 (SORP 2005) and the Companies Act 2006.

The statement of financial activities (SOFA) and balance sheet consolidate the financial statements of the charity and its subsidiary undertaking. The results of the subsidiary are consolidated on a line by line basis.

The charity has availed itself of Section 474(2) of the Companies Act 2006 and adapted the Companies Act formats to reflect the special nature of the charity's activities. No separate SOFA has been presented for the charity alone as permitted by Section 408 of the Companies Act 2006 and paragraph 397 of the SORP.

#### ***Company status***

The charity is a company limited by guarantee. The members of the company are the trustees named on page 1. In the event of the charity being wound up, the liability in respect of the guarantee is limited to £1 per member of the charity.

#### ***Fund accounting***

Activity is separated into Unrestricted Contracts or Restricted Contracts depending on the nature and wording of the underlying commissioning contract. The unrestricted funds are available for use at the discretion of the trustees in furtherance of the general objectives of the charity. Restricted funds have to be applied according to the instructions of the contract. Designated funds comprise unrestricted funds that have been set aside by the trustees for particular purposes and transferred from the General Reserve.

#### ***Incoming resources***

All incoming resources are included in the SOFA when the charity is legally entitled to the income and the amount can be quantified with reasonable accuracy.

During the year grants are received which are required to be applied to specific research projects. Amongst these are projects which contain a requirement that any unused funds are repayable to the donor. Grants are accounted for on the basis of delivery of research projects and only those amounts expendable and receivable on an accruals basis have been taken into the accounts as resources expended and income. Amounts received in respect of projects where project delivery has not been completed are held in deferred income.

Interest and model licence fees are recognised over the periods to which they relate. Sales of publications are recorded when due. Donations and dividend income are recorded when received.

#### ***Resources expended***

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to the category. Governance costs are those incurred in connection with the strategic as opposed to the day to day management of the charity's activities and include costs of external audit, legal advice for trustees, cost of trustee meetings and preparing statutory accounts. Premises costs are those costs incurred in the maintenance of the premises excluding the costs of any repairs, which are identified as a separate cost. Where costs cannot be directly attributed to particular headings they have been allocated on a basis consistent with the use of the resources. Staff costs are allocated based on activities including between charitable activities and the cost of generating funds - publications. Overheads are apportioned based on staff time. Support costs have been applied on a directly attributable basis where possible and the residue on an income basis.

Irrecoverable VAT is charged against the category of resources for which it was incurred.

## Notes (continued)

### 1 Accounting policies (continued)

#### *Tangible fixed assets and depreciation*

Tangible fixed assets costing more than £1,500 are capitalised and included at cost including any incidental expenses of acquisition. Items under £1,500 are expensed.

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost on a straight line basis over their expected useful economic lives as follows:

Freehold land	-	nil
Freehold buildings	-	nil
Improvement to freehold buildings	-	over 10 years
Office equipment	-	over 3 years
Computer equipment	-	over 3 years

No depreciation is charged on freehold buildings on the grounds that it would be immaterial.

Each year the Trustees review the property for indications of impairment.

#### *Investments*

Listed investments are stated at market value at the balance sheet date. Unlisted investments are stated at cost. The SOFA includes the realised and unrealised net gains and losses arising on disposals and revaluations throughout the year.

All long term cash investments have been classified as long term investments on the balance sheet.

#### *Stock*

Stock consists solely of workbooks and manuals for sale to schools by NIESR Services Ltd. Stocks are valued at the lower of cost and net realisable value.

#### *Pension costs*

The Charity participates in the Universities Superannuation Scheme, a defined benefit scheme which is externally funded and contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the scheme's assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set. The institution is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 "Retirement benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period. For more detail see Note 18.

#### *Foreign currencies*

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities are translated at the rate of exchange ruling at the balance sheet date and any gains and losses arising are charged to Finance Costs within Support costs.

#### *Capital Commitment*

NIESR did not have any capital commitments at 31 March 2012.

## 2 Fees for Research work

	2012			2011
	Unrestricted	Restricted	Total	
	£			£
From European Commission institution:	622,407	-	622,407	460,778
From Economic and Social Research Council	136,430	-	136,430	394,016
From Government Departments	575,811	-	575,811	699,804
From Trusts and Foundations	175,080	-	175,080	54,095
From other sources	631,259	65,000	696,259	572,086
	<b>2,140,987</b>	<b>65,000</b>	<b>2,205,987</b>	<b>2,180,779</b>

All research income relates to the Charity.

## 3 Research including library expenditures

Staff costs	2,022,072	29,087	2,051,159	1,864,825
Honoraria and fees including pass through money for European commission projects	99,053	-	99,053	149,478
Travel and subsistence	29,868	-	29,868	28,905
Books and journals	54,581	-	54,581	55,740
Research materials	78,616	21,370	99,986	31,621
Sundry expenses	26,081	-	26,081	31,358
Support costs	475,662	14,543	490,205	506,271
	<b>2,785,933</b>	<b>65,000</b>	<b>2,850,933</b>	<b>2,668,198</b>

## 4 Remuneration of Directors & Trustees

Director's emoluments	105,577		105,577	71,354
Pension contributions	16,926		16,926	11,417
	<b>122,503</b>	<b>-</b>	<b>122,503</b>	<b>82,771</b>

Number of directors

2012                      2011

Retirement benefits are accruing to the following number of directors under

- Defined benefit schemes	1	1
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The Chief Executive has a rolling one year contract commencing 1 February 2011.

No trustee claimed expenses (2011 - nil) during the year

As allowed by the Articles of Association a director who is a trustee is entitled to remuneration and expenses

## 5 Governance Costs

	2012	2011
	£	£
Support costs	10,532	11,126
Auditors' remuneration – audit services	13,682	8,980
Accountancy costs	34,320	39,554
Other professional services	10,871	(521)
	<b>69,405</b>	<b>59,139</b>

## 6 Support Costs

	2012	2011
	£	£
Staff costs	281,384	292,186
Premises costs	121,287	110,027
Computing costs	43,060	44,810
Postage	3,258	4,154
Publicity costs	12,151	10,188
Depreciation	12,684	11,651
Provision for bad debts and finance costs	8,478	37,573
Sundry expenses	59,201	53,701
	<b>541,503</b>	<b>564,290</b>

Support costs have been applied on a directly attributable basis, where possible, and the residue on an income basis, as follows:

Publications	40,766	46,893
Research activities	490,205	506,271
Governance	10,532	11,126
	<b>541,503</b>	<b>564,290</b>

## 7 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2012	2011
Research	28	25
Library	2	2
Publications	2	2
Administration and general	6	7
	<b>38</b>	36

Full time equivalent staff in year

2012	32	32
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In addition four researchers were used on a subcontract basis to assist in Institute research but are not employed by the Institute. The aggregate payroll costs of the employees were as follows:

	2012	2011
	£	£
Wages and salaries	1,819,376	1,721,349
Social security costs	187,437	162,093
Other pension costs	294,777	271,795
	<b>2,301,590</b>	2,155,237

	2012	2011
Staff earning £60,000 - £70,000	6	5
Staff earning £70,000 - £80,000	4	2
Staff earning £80,000 - £90,000	2	2
Staff earning £90,000 - £100,000	1	-
Staff earning £100,000 - £110,000	1	1
Staff earning £110,000 - £120,000	-	-

Retirement benefits are accruing to all these individuals under Defined Benefit Schemes

## 8 Gain on realisation of assets

	2012	2011
	£	£
Gain / (Loss) on disposal of investments	131	(4,321)
	<b>131</b>	(4,321)

## 9 Tangible fixed assets - Group and Charity

	Freehold property	Improvements to Freehold Property	Computers and office machinery	Total
	£		£	£
Cost				
At 1 April 2011	167,380	106,567	82,010	355,957
Additions	-	-	4,716	4,716
Disposals	-	-	-	-
At 31 March 2012	<b>167,380</b>	<b>106,567</b>	<b>86,726</b>	<b>360,673</b>
Depreciation				
At 1 April 2011	49,000	20,956	67,259	137,215
Charge for year	-	10,657	2,028	12,685
On disposals	-	-	-	-
At 31 March 2012	<b>49,000</b>	<b>31,613</b>	<b>69,287</b>	<b>149,900</b>
Net book value				
At 31 March 2012	<b>118,380</b>	<b>74,954</b>	<b>17,439</b>	<b>210,773</b>
At 31 March 2011	118,380	85,611	14,751	218,742

The Trustees consider that the value of the Freehold Property is significantly in excess of its book value. However, as they have no intention of realising it at present, no formal valuation has been undertaken.

## 10 Investments

	2012	2012	2011	2011
	Cost	Balance sheet value	Cost	Balance sheet value
	£	£	£	£
Fixed asset investments: Stocks				
Listed on:				
London stock exchange	3,107,991	3,029,282	3,207,996	3,194,508
Elsewhere	87,364	93,665	87,364	103,400
	<b>3,195,355</b>	<b>3,122,947</b>	<b>3,295,360</b>	<b>3,297,908</b>

An analysis of investments forming greater than 5 per cent of the total is given in note 16



Investments (Continued)	2012	2012	2011	2011
	Cost	Balance	Cost	Balance
	£	sheet value	£	sheet value
Stock investments	3,195,355	3,122,947	3,295,360	3,297,908
Cash held by brokers and Cash bonds	20,529	20,529	219,567	219,567
<b>Total Fixed Asset Investments</b>	<b>3,215,884</b>	<b>3,143,476</b>	<b>3,514,927</b>	<b>3,517,475</b>

#### Balance sheet values - Charity

	2012	2012	2011	2011
	Cost	Balance	Cost	Balance
	£	sheet value	£	sheet value
Fixed asset investments: Listed on:				
London stock exchange	3,107,991	3,029,282	3,207,996	3,194,508
Elsewhere	87,364	93,665	87,364	103,400
Unlisted (note 17)	2	2	2	2
	<b>3,195,357</b>	<b>3,122,949</b>	<b>3,295,362</b>	<b>3,297,910</b>
Cash held by brokers and Cash bonds	20,529	20,529	219,567	219,567
<b>Total investments</b>	<b>3,215,886</b>	<b>3,143,478</b>	<b>3,514,929</b>	<b>3,517,477</b>

#### Income from Investments:-

Listed on:	2012	2011
	£	£
	- London stock exchange	111,050
- Bank and Other Interest	539	727
	<b>111,589</b>	<b>128,272</b>

#### Investment movements:- Group

	2012	2012	2011	2011
	£	£	£	£
	Cost	Balance sheet value	Cost	Balance sheet value
At beginning of year	3,295,360	3,297,908	3,567,746	3,412,906
(Disposals)/Additions	(100,005)		(272,386)	
Disposal Proceeds	-	(100,136)	-	(300,000)
Gain / (Loss) on Disposal	-	131	-	(4,321)
Change in Accrued Income	-	(9,994)	-	4,073
Net gain / (loss) on revaluation	-	(64,962)	-	185,250
At end of year	<b>3,195,355</b>	<b>3,122,947</b>	<b>3,295,360</b>	<b>3,297,908</b>

#### 11 Stock - group

Stock amounting to £8,542 (2011: £7,993) is included in these figures which relates entirely to stock owned by the subsidiary undertaking.

#### 12 Debtors

	Group	Group	Charity	Charity
	2012	2011	2012	2011
	£	£	£	£
Trade debtors	576,117	585,546	552,088	578,262
Grants	800,840	698,717	800,840	698,717
Other debtors	73,144	165,944	64,496	87,935
	<b>1,450,101</b>	<b>1,450,207</b>	<b>1,417,424</b>	<b>1,364,914</b>

#### 13 Analysis of balances of cash as shown in the balance sheet – group

	2012	2011
	£	£
Cash in hand, at bank	261,051	343,552
Cash held by brokers	20,529	219,567
	<b>281,580</b>	<b>563,119</b>

#### 14 Creditors amounts falling due within one year

	Group	Group	Charity	Charity
	2012	2011	2012	2011
	£	£	£	£
Trade creditors	54,709	57,459	54,111	57,010
Accruals	193,585	168,465	146,009	116,927
Costs accrued for project partners	31,010	30,242	31,010	30,242
Other taxation and social security	126,862	125,928	124,297	124,997
Deferred income	182,458	518,983	167,221	431,482
	<b>588,624</b>	<b>901,077</b>	<b>522,648</b>	<b>760,658</b>

#### 15 Reconciliation of movement in unrestricted funds

	Group And Charity Funds - 2011	Incoming / (Outgoing) resources	Transfer	Group and Charity Funds 2012
	£	£	£	£
General reserves	4,621,284	(86,742)	(10,000)	4,524,542
Work Experience support fund (designated)			10,000	10,000
Loss on sale of investment	-	131	4,321	4,452
Unrealised gains / (losses) on revaluation of assets	15,608	(64,962)	(4,321)	(53,675)
	<b>4,636,892</b>	<b>(151,573)</b>	<b>-</b>	<b>4,485,319</b>

All funds taken to the reserves at the year end are unrestricted and are available for use at the discretion of the trustees in furtherance of the general objectives of the Charity. The transfer to a designated fund represents the decision to use a Legacy of £10,000 for this purpose.

The General reserves represent the free funds of the Charity which are not designated for particular purposes.

The unrealised gains on revaluation of assets are represented by investments

#### 16 Analysis of investments – Group and Charity

The following individual investments form greater than 5 per cent of the investment portfolio

Name of investment	2012	2011
	£	£
Legal and General European Index Trust	405,369	474,009
Legal and General US Index Trust	337,236	317,176
Charities Property Fund	292,771	290,836
Barclays Global Investors Charittrak Trust	1,223,737	1,230,663
Rensburg Sheppard Ishares GBP Corporate Bonds	550,845	631,428
	<b>2,809,958</b>	<b>2,944,112</b>

#### 17 Subsidiary Company

The Institute owns the whole of the issued ordinary share capital of NIESR Services Limited., a company registered in England. The subsidiary is used for receiving income from royalties, the sale of books and other trading activities. All activities have been consolidated on a line by line basis in the Statement of Financial Activities. The total net profit is covenanted to the Institute. The company has no direct staff costs and receives no management charge from the Institute. A summary of the results of the subsidiary is shown below. Sales and Royalties income have been included in Publications income in the Group Statement of Financial Activities and the associated costs included in Costs of generating funds – Publications.

	2012	2011
	£	£
<b>Turnover</b>		
Royalties	145,770	130,268
Sales	14,854	21,847
Other	1,880	45,269
	<b>162,504</b>	<b>197,384</b>
Cost of Sales	<b>(67,206)</b>	<b>(138,968)</b>
Gross Profit	<b>95,298</b>	<b>58,416</b>
Distribution and administrative expenses	<b>(517)</b>	<b>782</b>
	<b>94,781</b>	<b>59,198</b>
Interest receivable	74	34
Net Profit	<b>94,855</b>	<b>59,232</b>
Gift Aid Payable	<b>(94,855)</b>	<b>(59,232)</b>
Transfer to general reserves	<b>-</b>	<b>-</b>
The aggregate of the assets, liabilities and funds was:		
Assets	<b>118,199</b>	<b>183,546</b>
Liabilities	<b>(118,197)</b>	<b>(183,544)</b>
	<b>2</b>	<b>2</b>

## 18 Provisions for Liabilities – Pensions

**18.1. Universities Superannuation Scheme:** The Charity participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is externally funded and contracted out of the State Second Pension Scheme (S2P). The assets of the scheme are held in a separate trustee administered fund, Universities Superannuation Scheme Limited.

The appointment of directors to the board of the trustee is determined by the trustee company’s Articles of Association. Four of the directors are appointed by Universities UK; three appointed by the University and College Union, of whom at least one must be a USS pensioner member; and a minimum of two and a maximum of four are co-opted directors appointed by the board. Under the scheme trust deed and rules, the employer contribution rate is determined by the trustee, acting on actuarial advice.

The latest triennial actuarial valuation of the scheme was at 31 March 2011. This was the second valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a strategy funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. The actuary also carries out regular reviews of the funding levels. In particular, he carries out a review of the funding each year between triennial valuations and details of his estimate of the funding level at 31 March 2012 are also included in this note.

The triennial valuation was carried out using the projected unit method. The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments (i.e. the valuation rate of interest) and the rates of increase in salary and pensions and the assumed rates of mortality. The financial assumptions were derived from market yields prevailing at the valuation date. An “inflation risk premium” adjustment was also included by deducting 0.3% from the market-implied inflation on account of the historically high level of inflation implied by government bonds (particularly when compared to the Bank of England’s target of 2% for CPI which corresponds broadly to 2.75% for RPI per annum).

To calculate the technical provisions, it was assumed that the valuation rate of interest would be 6.1% per annum, salary increases would be 4.4% per annum (with short-term general pay growth at 3.6% per annum and an additional allowance for increases in salaries due to age and promotion reflecting historic scheme experience, with a further cautionary reserve on top for past service liabilities and pensions would increase by 3.4% per annum for 3 years following the valuation then 2.6% per annum thereafter.

Standard mortality tables were used as follows:

Male members’ mortality	S1NA [“light”] YoB table – No age rating
Female members’ mortality	S1NA [“light”] YoB table – Rated down 1 year

Use of these mortality tables reasonably reflects the actual USS experience but also provides an element of conservatism to allow for further improvements in mortality rates the CMI projections with a 1.25% pa long term rate were also adopted. The assumed life expectations on retirement at age 65 are:

Males (females) currently aged 65	23.7 (25.6) years
Males (females) currently aged 45	25.5 (27.6) years

At the valuation date, the value of the assets of the scheme was £32,434 million and the value of the scheme’s technical provisions was £35,344 million indicating a shortfall of £2,910 million. The assets therefore were sufficient to cover 92% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The actuary also valued the scheme on a number of other bases at the valuation date. On the scheme’s historic gilts basis, using a valuation rate of interest in respect of the past service liabilities of 4.4% per annum, (the expected return on gilts) the funding level was approximately 68%. Under the Pension Protection Fund regulations introduced by the Pensions Act 2004 the Scheme was 93% funded; on a buy-out basis (ie assuming the Scheme had discounted on the valuation date) the assets would have been approximately 57% of the amount necessary to secure all the USS benefits with an insurance company; and using the FRS17 formula as if USS was a single employer scheme, using a AA bond discount rate of 5.5% per annum based on spot yields, the actuary estimated that funding level at 31 March 2011 was 82%.

As part of this valuation, the trustees have determined, after consultation with the employers, a recovery plan to pay off the shortfall by 31 March 2011. The next formal triennial actuarial valuation is as at 31 March 2014. If experience up to that date is in line with the assumptions made for this current actuarial valuation and contributions are paid at the determined rates or amounts, the shortfall at 31 March 2014 is estimated to be £2.2 billion, equivalent to a funding level of 95%. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently.

The technical provisions relate essentially to the past service liabilities and funding levels, but it is also necessary to assess the ongoing cost of newly accruing benefits. The cost of future accrual was calculated using the same assumptions as those used to calculate the technical provisions but the allowance for promotional salary increases was not as high. Analysis has shown very variable levels of growth over and above general pay increases in recent years, and the salary growth assumption built into the cost of future accrual is based on more stable, historic, salary experience. However, when calculating the past service liabilities of the scheme, an additional cautionary reserve has been included on account of the variability mentioned above.

As at the valuation date the Scheme was still a fully Final Salary Scheme for future accruals and the prevailing employer contribution rate was 16% of Salaries.

Following UK government legislation, from 2011 statutory pension increases or revaluations are based on the Consumer Prices Index measure of price inflation. Historically these increases had been based on the Retail Prices Index measure of price inflation.

Since the previous valuation as at 31 March 2008 there have been a number of changes to the benefits provided by the scheme although these became effective from October 2011. These include:

*New Entrants*

Other than in specific, limited circumstances, new entrants are now provided on a Career Revalued Benefits (CRB) basis rather than a Final Salary (FS) basis.

*Normal pension age*

The Normal pension age was increased for future service and new entrants, to age 65.

*Flexible Retirement*

Flexible retirement options were introduced.

*Member contributions increased*

Contributions were uplifted to 7.5% p.a. and 6.5% p.a. for FS Section members and CRB Section members respectively.

*Cost Sharing*

If the total contribution level exceeds 23.5% of Salaries per annum, the employers will pay 65% of the excess over 23.5% and members would pay the remaining 35% to the fund as additional contributions.

*Pension increase cap*

For service derived after 30 September 2011, USS will match increases in official pensions for the first 5%. If official pensions increase by more than 5% then USS will pay half of the difference up to a maximum increase of 10%.

Since 31 March 2011 global investment markets have continued to fluctuate and following its peak in September 2011 inflation has declined rapidly towards the year end, although the market's assessment of inflation has remained reasonably constant. The actuary has estimated that the funding level as at 31 March 2012 under the scheme specific funding regime had fallen from 92% to 77%. This estimate is based on the results from the valuation at 31 March 2011 allowing primarily for investment returns and changes to the market conditions. These are sighted as the two most significant factors affecting the funding positions which have been taken into account for the 31 March 2012 estimation.

On the FRS17 basis, using an AA bond discount rate of 4.9% per annum based on spot yields, the actuary calculated that the funding level at 31 March 2012 was 74%. An estimate of the funding level measured on a historic gilts basis at that date was approximately 56%.

Surpluses or deficits which arise at future valuations may impact on the institution's future contribution commitment. A deficit may require additional funding in the form of higher contribution requirements, where

a surplus could, perhaps, be used to similarly reduce contribution requirements. The sensitivities regarding the principal assumptions used to measure the scheme liabilities on a technical provisions basis as at the date of the last triennial actuarial valuations are set out below:

<b>Assumption</b>	<b>Change in assumption</b>	<b>Impact on shortfall</b>
Investment return	Decrease by 0.25%	Increase by £1.6 billion
The gap between RPI and CPI	Decrease by 0.25%	Increase by £1 billion
Rate of salary growth	Increase by 0.25%	Increase by £0.6 billion
Members live longer than assumed	1 year longer	Increase by £0.8 billion
Equity markets in isolation	Fall by 25%	Increase by 4.6 billion

USS is a “last man standing” scheme so that in the event of the insolvency of any of the participating employers in USS, the amount of any pension funding shortfall (which cannot otherwise be recovered) in respect of that employer will be spread across the remaining participant employers and reflected in the next actuarial valuation of the scheme.

The trustees believe that over the long-term equity investment and investment in selected alternative asset classes will provide superior returns to other investment classes. The management structure and targets set are designed to give the fund a major exposure to equities through portfolios that are diversified both geographically and by sector. The trustee recognises that it would be theoretically possible to select investments producing income flows broadly similar to the estimated liability cash flows. However, in order to meet the long-term funding objective within a level of contributions that it considers the employers would be willing to make, the trustee needs to take on a degree of investment risk relative to the liabilities. This taking of investment risk seeks to target a greater return than the matching assets would provide whilst maintaining a prudent approach to meeting the fund’s liabilities. Before deciding what degree of investment risk to take relative to the liabilities, the trustee receives advice from its internal investment team, its investment consultant and the scheme actuary, and considers the views of the employers. The positive cash flow of the scheme means that it is not necessary to realise investments to meet liabilities. The trustee believes that this, together with the ongoing flow of new entrants into the scheme and the strength of covenant of the employers enables it to take a long-term view of its investments. Short term volatility of returns can be tolerated and need not feed through directly to the contribution rate although the trustee is mindful of the desirability of keeping the funding level on the scheme’s technical provisions close to or above 100% thereby minimizing the risk of the introduction of deficit contributions. The actuary has confirmed that the scheme’s cash flow is likely to remain positive for the next ten years or more.

At 31 March 2012, USS had over 145,000 active members and the institution had 23 active members participating in the scheme.

The total pension cost for the Institution was £214,372 (2011: £180,877). The contribution rate payable by the institution was 16% of pensionable salaries.

18.2. **NIESR Retirements Benefits Plan:** This scheme is a closed scheme to new employees and is a plan managed by The Scottish Provident Institution. Policies are held by the individual under this plan. There are currently two members of the plan who are employees of the Institute. The contribution rate payable by the Institute was 16% of pensionable salaries. This is levied as an annual premium. The total NIESR Retirements Benefit plan cost for the Institute was £13,119 (2011: £13,740).

18.3. **Other Personal Pension Plans:** Contributions are calculated on pensionable salary and are payable to Personal Pension Plans entered into by employees who have opted for that choice. Sums paid into these schemes amounted to £67,286 (2011: £77,179).

18.4. **Former Scheme:** An amount of £11,606 (2011: £15,475) is held to meet the contractual obligations, based on a prudent appraisal by the trustees. A total of £3,869 was paid out in the year.