

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

Consolidated Report and Financial Statements
Registered number: 341010
Charity number: 306083
31 March 2020

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REFERENCE AND ADMINISTRATIVE INFORMATION

Trustees (Members of the Council of Management)

Professor Diane Coyle	(Chair)
Sir Paul Tucker	
Tera Allas	
Jenny Bates	(appointed 12 December 2019)
Alexander Baker	
Professor Phillip Brown	(appointed 12 December 2019)
Sir Alan Budd	(resigned 12 December 2019)
Professor Jagjit Chadha	(Director)
Neil Gaskell	
Sir David Greenaway	
Stephen Daryl King	
John Llewellyn	(resigned 12 December 2019)
Keith Mackrell	
Neville Manuel	
Professor Jill Rubery	(appointed 12 December 2019)
Professor Lorna Unwin	
Romesh Vaitilingam	(appointed 12 December 2019)

Chief Executive/ Director

Professor Jagjit Chadha

Chief Operating Officer and Company Secretary

John Kirkland

Registered Office & Principal Place of Business

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

Company Number: 341010 – incorporated in the United Kingdom

Charity Number: 306083 – registered in England and Wales

Auditor

Sayer Vincent LLP, Invicta House, 108-114 Golden Lane, London, EC1Y 0TL

Bankers

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

Solicitors

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

TRUSTEES' REPORT

The Trustees, who are also directors of the Charity, are pleased to present their annual Trustees' report together with the consolidated financial statements of the charity and its subsidiary for the year ended 31 March 2020, which are also prepared to meet the requirements for a Director's report and accounts for Companies Act purposes.

The financial statements have been prepared in accordance with the Charities Act 2011, the Companies Act 2006, the Memorandum and Articles of Association, and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102).

OBJECT AND ACTIVITIES

The principal object contained within the National Institute of Economic and Social Research's ("the Institute") Memorandum and Articles of Association is:

'The advancement of education in the social sciences particularly by the propagation of knowledge of the social and economic conditions of contemporary human society'.

We carry out high quality economic and social research of relevance to business and policy-makers, meeting this object via four main activities:

- The pursuit and delivery of a wide variety of research projects on topics of contemporary interest to policy-makers, business and third sector leaders, and academic audiences.
- The development and distribution of the National Institute's Global Econometric Model ("NiGEM") which contributes to the wider understanding of the working of the economy and thus to the economic and social infrastructure. User licences are sold to a variety of organisations including central banks, private sector financial organisations, HM Treasury and the Bank of England, also providing revenue to support our charitable objectives.
- The dissemination of research findings, through a variety of events and networks, and publication of the *National Institute Economic Review*.
- Engagement in relevant social and economic policy debates from a position of intellectually robust, independent expertise.

The Institute carries out these activities by:

- Maintaining access to a variety of high calibre research staff with suitable experience and expertise.
- Understanding the economic environment and the policy agenda, identifying the key stakeholders and being aware of other influential factors.
- Delivering high quality services and products, and committing to the continual improvement of what we do.

- Developing and maintaining relationships with our research funders, model subscribers, potential clients and the owners and commissioners of relevant data sets.
- Generating sufficient income from research funding and other sources to finance the Institute's operations and long-term development, and continue to deliver our charitable mission.
- Disseminating our research findings via a range of media channels, including traditional publications and broadcast media as well as via the internet and social media to reach as wide an audience as possible, nationally and internationally.
- Encouraging staff involvement in academic activities such as refereeing for journals, serving public bodies nationally and internationally and examining PhDs, as well as contributing to the activities of Government and the political process in an expert capacity.

PUBLIC BENEFIT

The Trustees confirm that they have referred to the Charity Commission's guidance on public benefit when reviewing the Institute's aims and objectives and when planning future activities. The Audit, Risk and Ethics Committee of Council undertook a specific review in 2019 to confirm that our portfolio of activities continued to conform with our charitable objectives.

The activities described above enable the Institute to improve the wider knowledge and understanding of issues which are of importance to the UK and internationally, with the ultimate aim of improving social and economic welfare. This was the purpose of the Institute's foundation over eighty years ago and remains central to its ethos today.

In order to serve the public benefit we maintain a high reputation for the independence and quality of our research, and invest in a number of outreach activities, including working with other organisations in the charitable and educational sectors. Our emphasis on dissemination and impact has strengthened further during the past year, with the establishment of the first NIESR *Festival of Social Science*, and an intensive contribution to the public debate prior to the 2019 general election, for which specific funding was obtained from the Nuffield Foundation. 2019-20 was also our first full year of funding through the Impact acceleration Account scheme of the Economic and Social Research Council. NIESR is one of only two institutions outside the university sector to receive such recognition. We have sought to bring our work to new, non-academic audience, including the establishment of a new Business Conditions Forum and activities aimed at football fans, LGBT organisations, schools and the Romani community. Further details of our communication and impact activities can be found in the overview of the year below.

In addition, the Institute's global econometric model is licensed annually to many European Central Banks and international organisations. The model's use within these organisations helps to widen the influence of the Institute's research and enables our expertise to influence policy decisions for the public benefit not only in the UK but worldwide. We also provide extensive training on forecasting methods, facilitating extensive specialist knowledge transfer.

FUNDRAISING

NIESR has not hitherto engaged in public fundraising and does not use professional fundraisers or commercial participators. During the year there were no complaints relating to fundraising practice.

ACHIEVEMENTS & PERFORMANCE

Overview

2019-20 saw the development of a new strategy for the Institute. At the centre of this is a desire to increase the visible impact of our work, whilst at the same time enhancing our reputation for academic excellence. These are ambitious aims – the combination of high quality research with the impact and energy of a ‘think tank’, would be distinctive – and are being backed up by high level management reform. A new appointment has been made at Deputy Director level, which together with the designation of an existing post as Deputy Director will provide the Director with support and providing him with greater flexibility to undertake research and explore new opportunities to expand the work of the Institute in line with our new strategy. A new senior post has been created to focus on external affairs, and the role of Head of Finance been extended, to handle internal administration with the post being changed to Chief Financial Officer. Taken together, these posts are intended to create a streamlined and effective leadership team.

The strategy is already seeing a refocussing and strengthening of research activity, with clear themes being developed and new areas of work planned in highly relevant areas such as political economy and the rise of populism, and the role of the financial sector in addressing climate change.

Much of this has been made possible by the significant strengthening of Institute finances in recent years. 2019-20 represented another important step in this process. The Institute was able to break even without drawing on investment income or investment gains for the first time since 1999. This follows the achievement last year of our first surplus (taking account of investment income) for the first time since 2010. The historical comparisons on page 15 below demonstrate the extent of this transformation over the recent years, following substantial deficits earlier in the decade, and represent a significant achievement on the part of staff.

The Institute continues to achieve improvements in efficiency and cost control, including reductions in slippage between and within projects, closely controlled administrative costs and continued emphasis on externally accredited quality systems. During the year we successfully maintained our accreditation under three ISO Standards: ISO 90001 on Quality Management, ISO 14001 on Environmental Management and ISO 27001 on Information Security Management.

Research Highlights

NIESR research work during the year has been focussed in four directorates – Macroeconomic Modelling and Forecasting, Employment and Social Policy, Education and Labour and Trade Policy and Investment. These interact with two major national centres which the Institute hosts – the *Economic Statistics Centre of Excellence*, which is funded by

the Office of National Statistics, and the Rebuilding Macroeconomics programme of the Economic and Social Research Council. Most of our work is however focussed on specific problems, rather than disciplines, and collaboration between directorates is strongly encouraged. The appointment of Dr Adrian Pabst at Deputy Director level at the end of the year has provided an opportunity to recognise this, so that from April 2020 the work on employment and social policy, education and labour and trade, productivity and investment will be combined into a single group, under his leadership.

Highlights for each area during 2019-20 were as follows:

Macroeconomic Modelling and Forecasting

Under the leadership of Dr Garry Young, the Macroeconomics team undertakes three main activities. In the *National Institute Global Econometric Model* (NiGEM) it maintains one of the world's leading tools for **economic modelling**. NiGEM continues to be widely licenced, and is used by Finance Ministries, central banks and corporates on five continents. We produce highly regarded **forecasts** of the UK and global economies, which are published in the *National Institute Economic Review* and receive widespread attention from the media. The year has seen record numbers of downloads for our forecasts, following a decision taken with our new publishers, Cambridge University Press, to make these more freely available online. Finally, the team engage in a wide range of **research and consultancy** activity.

There was no shortage of issues to investigate this year. As for the past four years or more, the economic and political uncertainty over Brexit, and changes to the exit date, continued to dominate the macroeconomic outlook and the team's work on the UK economy. We received substantial publicity for our analysis of a possible customs union option in May and of the Prime Minister's proposed deal in November. Following analysis of key issues in the run up to the December general election, the focus of the February *Review* was on the government's post-Brexit levelling up agenda. On the global side, there was a lot of interest in analysis of the effects of tariffs as the world economy slowed down. As the potential impact of the coronavirus started to emerge in March, our models were used by government to improve their understanding of the likely impact.

As well as the **quarterly forecasts**, we have continued to promote our work on nowcasting and forecasting with the publication of **monthly GDP, wage and inflation trackers**. We have also convened a regular Business Conditions Forum, established with support from the ESRC Impact Acceleration Account, which had its inaugural meeting in May 2019. The aim of the Forum is to bring together economists and other experts from business organisations and the official sector to have an informed discussion of current data and understand better the state of the UK economy. The discussions are held under Chatham House rules to encourage free and open discussion.

NiGEM continues to have an expanding international audience. This is particularly so in emerging economies, with our first two African clients being developed during the year. Team members travelled to the United States in June and July for high-profile modelling conferences, the latter at the St Louis Fed, where a joint seminar was hosted with OMFIF. Iana Liadze, together with co-authors, Prof Phillip Davis (Brunel and NIESR fellow) and Rebecca Piggott (ex-NIESR and now Bank of England) were awarded the inaugural Best Paper Award for *Economic Modelling* for papers published in 2019, in the category Financial economics, for her paper *Assessing the macroeconomic impact of alternative macroprudential policies*.

The team has also been involved in outreach with UK universities, including lecturing commitments at Nottingham and Warwick Universities.

On the research side the main recent development has been new work, based on NiGEM, to assess the macroeconomic effects of climate change. NiGEM has now been expanded to include **climate change policy instruments** such as carbon prices and border carbon adjustment. A new 'climate' version of the model was launched for clients in March 2020 and the macroeconomics team organised several training events on the new model for our existing users. The team also organised a successful climate change policy workshop in September last year with speakers from the OECD, UN, Bank of England, academia and consultancies. Given the interest in the topic, research on the macroeconomic effects of climate change is likely to be an important and fruitful area of research for the team in the future.

Other research projects undertaken include an assessment of the public finance implications of an all-age graduate tax; using textual analysis to measure sentiment; understanding how government expenditure plans are revised as economic conditions change; how best to incorporate alternative data sources into price indices; assessing the macroeconomic and fiscal path in Greece during the economic adjustment programmes. The team also undertake significant amounts of training for NiGEM users, and welcome short-term consultancy projects that utilise NiGEM's capacity. Team members have been involved in providing NiGEM training and answering user queries. The team also maintain close links with several of our Corporate Members.

Employment and Social Policy

In March 2020, the team welcomed the appointment of Dr Claudine Bowyer-Crane, from the University of York, as Associate Research Director. She brings strong expertise in educational research, including on early intervention, language development and English as Additional Language. She joins a team focused on different areas: migration and integration; education interventions; public understanding and perceptions and employers' policies and practices.

The directorate continued its research on **migration and integration**, recently spearheaded by Dr Chiara Manzoni. Highlights of this work included disseminating the findings of their research on integration of migrant pupils in schools funded by the Paul Hamlyn Foundation through workshops for EU teachers. Research findings were also disseminated to journalists and third sector practitioners attending the major training exercise on Rethinking Migration in Spain. The team also completed research on EU immigration policies for third country nationals, funded by the Department for Business, Energy and Industrial Strategy (BEIS). In collaboration with the TIP team the project included an overview of all available temporary mobility routes for third country nationals (TCNs) and a review of how these routes are implemented in practice and used by businesses. Our immigration work has been presented in Parliament, and in invited opinion pieces in outlets such as the Spectator, Prospect and Integration Hub.

The team is developing a strand of research on **public understanding and perceptions**, led by Johnny Runge, focused on immigration attitudes and recently on public understanding of economics and economic issues. Work has included recent reports on the communication of data uncertainty and the value of economic statistics. Research continues on **employers'**

policies and practices. As part of the Low Pay Commission's (LPC) review of the National Minimum Wage youth rates (which led to a restructure of the youth rates), the team explored employers' employment of young people and their use of the youth rates. An evidence review was also conducted for the Equality and Human Rights Commission (EHRC) on recruitment in low-paid sectors, and work has commenced on a project for the Centre for Ageing Better, exploring older workers' experiences of the recruitment process, including experiences of age bias and discrimination.

In collaboration with the Education and Labour team, research continued on education issues looking at improving the effectiveness of schools at both primary and secondary level, and across subject areas as detailed in the section below.

Education and Labour

The work of the E&L Directorate, led in 2019-20 by Dr Stefan Speckesser, is organised around three broad strands.

Research on **vocational education** has continued to be a key focus. This has included our work as part of the Centre for Vocational Education Research (CVER), funded by the Department for Education and led by the London School of Economics, as well as research for the Social Mobility Commission and Sutton Trust. Topics covered have included the impact of apprenticeships on firm productivity and individual wages, combinations of higher vocational and academic education, the role of education providers in social mobility, and the role of non-cognitive skills for education and labour market outcomes. We have also begun research on digital skills in apprenticeships, funded by the Nuffield Foundation.

Within our broader programme of work on education, as part of the Institute's election briefings, we produced a briefing note on education policy priorities, including exploration of the election manifestos of the three main parties.

The Directorate has also continued to undertake research on the **effectiveness of educational interventions**. Research funded by the Education Endowment Foundation (and undertaken in collaboration with the ESP Directorate) has encompassed evaluations of interventions across early years, primary and secondary education. In the past year this has included publication of results from a trial of a growth mindset intervention, a trial of an intervention training teachers in the use of research tools to improve language. We were also pleased to be appointed as one of the first independent evaluators of a trial funded by the What Works Centre for Children's Social Care, exploring the effects of providing formal supervision to Designated Safeguarding Leads in primary schools in Bolton.

Our third strand of research focuses on issues relating to **employment, labour markets and employment relations**. This has included work on the 2019 Employers' Pension Provision Survey for the Department for Work and Pensions, providing further insights into the impacts of the workplace pension reforms, as well as research exploring inequalities associated with longer working lives, as part of the Fairer Active Ageing in Europe project. This year has also seen the start of the Wage and Employment Dynamics project, in which NIESR is a partner. Funded by ADR UK (Administrative Data Research UK), this study aims to provide new insights into the dynamics of earnings and employment through linking data from various official surveys and administrative data.

Trade, Investment and Productivity

Over the last year, our researchers have contributed actively to the economic and policy debate in the UK, discussing implications of key phenomena such as Brexit, and more recently to understanding the economic and social and impact of the COVID-19. The team produced several briefings, with support from the Nuffield Foundation, in the run-up to last year's 2019 Election. These include one on 'regional disparities', one on 'migration' and another and one on 'trade and trade policy'. These were widely followed by UK newspapers and social media. The team has also produced a number of blogs and articles as part of its contribution to broader communication and dissemination.

Our researchers continue to build a strong profile in areas related to **productivity, digitalization innovation, regional economics**, as well as **trade, labour market and consumption and wellbeing analyses**. New projects during the year have included work on statistical modelling of bilateral trade flows,(in collaboration with the NIESR Macroeconomics and Forecasting team and the UK Trade Policy Observatory at the University of Sussex), work commissioned by the Scottish government to investigate drivers of Scottish productivity from an international perspective, an investigation of the impact of the National Living Wage on business investment, and a project investigating food and drink demand elasticities for the Department of Food and Rural Affairs (DEFRA). This work has been supplemented by close involvement with the research agenda of ESCoE, described below.

The above successes ensured that the team concluded the year with a full order book. It is keen to consolidate this position by developing longer term research ideas and collaborations. Links with government will be further enhanced through the part-time secondment of Ana Rincon-Aznar to the Department for Business Energy and Industrial Strategy for most of the coming year. Other partners during the past year have included staff at the Universities of Cambridge, Kent, Loughborough, Sheffield, Sussex, Glasgow, Birkbeck, UCL, and Kings' College amongst others. We have also established a new collaboration agreement with the University of Cagliari in Italy to host Erasmus Students from their Masters of Public Policy course.

Economic Statistics Centre of Excellence

NIESR is delighted to host the UK Economic Statistics Centre of Excellence (ESCoE). This is a hub of world-leading expertise built around the analysis of emerging and future issues in measuring the economy. The ESCoE was established in 2017 with the support of the Office for National Statistics, following the Independent Review of UK Economic Statistics by Professor Sir Charles Bean. Established as an independent research centre, the aims of ESCoE are to develop collaboration between national statisticians and academia to bring a research-led approach to addressing challenges and opportunities in measuring the economy.

The centre focuses on four core areas of investigation: National Accounts and Beyond GDP; Productivity and the Modern Economy; Regional and Labour Market Statistics; Communicating and Valuing Economic Statistics. Led by Rebecca Riley, the ESCoE consortium and funding base have grown significantly since its inception, with researchers throughout the UK and also worldwide contributing to its research agenda. A comprehensive

report detailing the work of the ESCoE in its first three years was published 12 February 2020 and is available at www.escoe.ac.uk.

Rebuilding Macroeconomics Programme

Rebuilding Macroeconomics (RM) is an Economic and Social Research Council (ESRC) funded four-year research network, led by Dr Angus Armstrong, and hosted at NIESR since its inception. The long-term aim of the network is to transform macroeconomics back into a policy relevant social science. The RM grant is now entering its final year, and as things stand is due to finish on 1 May 2021.

All of the budget for funding pilot studies under the RM grant has now been allocated. 36 projects have been funded, along with three study groups targeting particular areas of interest. This is one third more projects than we originally envisaged, an outcome which has been achieved by competing to reduce costs. Three projects have already finished, and the remainder are due to be completed in the first half of the 2020-21 financial year. The highly unusual circumstances of the Covid-19 lockdown have required the use of no-cost extensions in several cases. After October 2020, RM will have six months to digest and synthesise the outputs of the pilot studies with other related activities. We will then have to write and socialise a final report, the “Road Map”, which will make recommendations to ESRC as to future directions and priorities for research funding in Macroeconomics.

The onset of the current Covid-19 lockdown has led to RM organising a series of online workshops relating to aspects of a potential Exit Strategy. These have been well attended, especially by members of the Government Economic Service, and the programme will continue into 2020-21. Several of our research papers around networks and fragility have been of particular interest to policy makers around the challenges raised by COVID-19. We are in discussions with the OECD about a partnership to promote complexity-based macroeconomic research. Attention is now turning to the ways in which RM’s work might be extended, or possibly expanded, beyond the current end date of May 2021, and initial discussions with ESRC have taken place on this subject.

Communication and Dissemination

The Institute seeks to ensure the widest possible dissemination of its work, in line with our charitable objectives. Some key indicators of our reach in 2019-20 are as follows:

	2019-20	2018-19
Reports, Articles, Book Chapters	199	121
Conferences and Seminar Presentations	58	56
Appearances or mentions in Broadcast Media	409	304
Mentions in local, national and international newspapers	6080	3850
Twitter followers	12128	10345
Linkedin followers	5640	2931
Web site views	417469	426776

Our quarterly journal, the *National Institute Economic Review* continues to attract regular coverage in the national and international media, with major national outlets and their Sunday's papers such as The Times, The Guardian and The Telegraph, typically covering multiple items in each issue, as do our monthly trackers (GDP, Wages and CPI inflation), which provide earlier estimates of key economic indicators than are available elsewhere. A major development for the *Review* during the year was the partnership with a new publisher, Cambridge University Press, with a brief to further enhance the range, rigour and policy relevance of inputs.

Publications covered the full range of NIESR research, but media coverage was disproportionately focussed on major public debates around BREXIT, the general election and the Budget. The relevance of our work on these events is also reflected in the downloads of material from our website, where the top five spots are all occupied by research related to Brexit and the General Election. Two major reports on BREXIT were particular highlights. One, in May on the economic impact on the UK of a customs union deal with the EU, and one at the end of October on the economic assessment of the current PM's Brexit Deal. Both received exceptionally high level of coverage, including all mainstream national and regional media and several broadcasters, as well as outlets around the world, from mainland Europe to the USA and Australia.

Several new initiatives were developed during the year to broaden our engagement, largely due to funding from the Impact Acceleration Account of the Economic and Social Research Council. Our first *Festival of Social Sciences*, part of the wider ESRC Festival, saw us organise nine events over a six-day period, a huge achievement for an Institute of our size. Topics ranged from increasing diversity amongst economists, public understanding of statistics, the costs and benefits of being a football fan, how LGBT groups can better access research, evidence-based policy in government and the regional debate in the UK. The week was used to launch two major annual lectures, named in honour of two eminent former NIESR staff, Christopher Dow and Professor Sig Prais. Our increased commitment to live streaming and making events available online significantly increased audience. In February, our links with Parliament and UK Government Departments were further enhanced with the launch of our Parliament and Government Unit, also funded by the IAA, which aims to make NIESR expertise more widely accessible in those in policy debates. The Director and other senior members of staff appeared in front of a variety of select committees in Parliament and our research continues to be referenced by MPs and politicians in tweets, speeches and newspaper columns.

Our range of events has also increased significantly as a result of IAA funding. In addition to the Festival of Social Sciences, this allowed for briefings tailor made to the needs of specific groups, such as schools, the hospitality and catering sectors, overseas embassies and civil servants in specific departments. We continued to collaborate internationally, most notably through a workshop on Modelling the Macroeconomy in Risky Times, organised with OMFIF and the Federal Reserve Bank of St Louis at the Washington University in St Louis in July.

IMPACT OF THE COVID-19 VIRUS

Trustees have actively supported management in monitoring and mitigating the impact of COVID-19 planning on the activities of the Institute. In reporting on these activities, we have particularly taken account of the advice offered by the Charities SORP Committee in their document '*Implications of COVID-19 control measures and Charity Financial Reporting*' issued on 23 March 2020.

The Institute responded quickly to the challenges of COVID, advising staff to work at home from 16 March 2020, in advance of the formal government advice and lockdown a week later. Our approach has been supported by a risk analysis, discussed by the Trustees at their meeting on 26 March, and a programme of regular communication with staff and suppliers. A group of Trustees was established in March to provide support and advice to senior staff, and this continued to meet on a regular basis until July.

The Institute is fortunate in that much of our work can be undertaken by staff working remotely. We have also benefited from a decision taken in 2018 to migrate our IT operations to the cloud. Nonetheless, not all of our work comes into this category. Restrictions on data access, and the need to conduct interviews externally to the Institute represent two examples of activities that needed to be delayed. Disruption in these areas has meant that work scheduled for the early months of the virus has had to be delayed, contributing to relatively weak research income in the final month of the period under report. We are optimistic that most of this work will be undertaken in the current financial year, although of course the time lost cannot be recovered.

Regarding new business, the biggest single area of Institute income is derived from research commissioned by government agencies, charities and the corporate sector. In the short term, we have noticed little net impact on the amount of work available. In fact, in the early part of 2020-21 the Institute has been successful in accessing grants specifically concerned with the impact of COVID-19. However long-term prospects are more uncertain, depending on how research budgets are maintained towards the end of the new financial year, and the impact of any economic recession that follows. Likewise, we cannot yet be certain how economic conditions will impact on sales of the National Institute Global Econometric Model and Corporate Membership, both of which are determined on an annual basis. Some smaller scale activities, such as an international course which the Institute had expected to stage in August, have already been cancelled due to travel restrictions, and additional costs have been incurred, for example due to the need to support staff working from home.

PLANS FOR THE FUTURE

The exceptional uncertainties created by COVID-19 have led the Trustees to take a cautious approach in the period since the end of the financial year. Budgets are being kept under regular review, with the current expectation that a modest financial loss might be sustained. In the longer-term, however, we believe that the new strategy, management arrangements and financial stability described above will provide a firm base from which to expand our activities. A significant indicator of this potential is the decision announced by the UK Government in July to establish a new National Productivity Research Institute, in which the

Institute will be a core partner. The Institute will be funded for at least five years, with its base being at the University of Manchester.

Our medium-term approach, reflected in the new strategy agreed by Trustees, envisages NIESR performing a unique role at the interface between research of the highest academic quality, and dissemination through the mechanisms of a 'think tank'. The strategy anticipates that our major research themes over the next three years will be Monetary, Financial and Fiscal Policies, Macroeconomic Forecasting, Productivity, Trade and Regional Economics, Labour Markets, Wages and Living Standards, Human Capital Formation, and Migration and the Experiences of Minority Groups. These will be enhanced by three cross-cutting themes, which reflect our emphasis on problem orientated, interdisciplinary work. These are the Macroeconomics of Climate Change, Money, Populism and Power and Britain After BREXIT.

Dissemination and engagement are critical to our strategy. NIESR's established reputation and networks, together with our physical location (and growing number of virtual events) makes us an ideal bridge between the worlds of academia, policy and practical application.

The strategy also anticipates greater emphasis on medium and long-term funding mechanisms, which allow for greater stability in our work programmes and this greater freedom to address cutting edge issues. It recognises, however, that funding of this nature tends to be highly competitive, have a significant lead time between proposal and acceptance and does not always meet the full economic cost of the work once approved. These points have a particular significance for NIESR as an independent research institute, without access to the core funding available to universities and other publicly funded bodies. Reflecting these factors, the strategy recognises a need to generate more income from the dissemination of our research and expertise, as well as the undertaking of research itself, that although research income will remain our largest source of income in future years.

Funding from the Impact Acceleration Account of the ESRC will play an important role in building up our programme of engagement, which will also be enhanced by changes in our management structure. In March Trustees approved a proposal to split the current role of Chief Operating Officer into two positions, one handling internal issues and the other external relations. The new role at Deputy Director level will also have a brief to support the Director in research-based external relations. Individual staff are also being resourced to engage in dissemination activities based on their own research, and our programme of events is being broadened, especially through virtual means. It is hoped that the relaunched *National Institute Economic Review* will also make our work accessible to a larger audience.

Finally, our approach will continue to emphasise quality in non-research, as well as research activities, though continued accreditation under ISO standards relevant to our work.

RISK MANAGEMENT

The Institute Risk Register is kept under regular review by management and Trustees, through internal monitoring, and the oversight provided by the Audit, Risk and Ethics Committee (AREC). These processes have covered both short- and long-term risks. During the past year AREC has undertaken deep dive discussions of the risks involved in commercialising NIESR products (with special reference to NIGEM), fund raising and due diligence and recruitment and retention of staff. Trustees are also aware that overall

responsibility for risk issues rests with the full Council. Recognising this, the Council undertook a 'deep dive' discussion of reputational risks at its December meeting.

Trustees have also considered the Risk Register in view of the COVID-19 crisis. Whilst it was not considered necessary to add a specific risk in response to the risks involved, it was agreed that more emphasis should be placed on business continuity issues. Mitigations to risks in the category of academic reputation, financial sustainability and IT provisions have been strengthened in this regard.

The principal risks facing the institute continue to relate to financial stability and the retention of our reputation for academic excellence, independence and integrity. This 2020-23 Strategic Plan discussed above seeks to address this by placing renewed emphasis on income diversification – both within the category of research income and in encouraging non-research income are intended to provide additional mitigation in this area. Management systems also continue to strengthen in the area of project management and human resources, whilst our continued accreditation under ISO standards provides valuable independent assurance that our systems remain robust.

FINANCIAL REVIEW

The Institute was pleased to show a small surplus (before taking account movement in investments and adjustments to pension provision) for a second successive year, following eight years of deficits. Fees for research work and its management remain our dominant source of income, although diversity of sources is important to enable us to subsidise our work for public and charitable bodies that are unable to meet the full economic cost of research work. Research income rose by 36%, largely reflecting support given to meet specific obligations under our research contracts held by our hosted centres, whilst the cost of salaries and wages increased by 2%.

Statement of Financial Activities

The Statement of Financial Activities (SoFA) for the year shows a gain, before investment portfolio revaluations, of £554,238 (2019: deficit £684,385) arising from gross unrestricted income of £2,014,574 (2019: £2,261,673) and £4,070,325 of restricted income (2019: 2,569,465).

The year-on-year comparison is distorted due to the impact of accounting for changes in the deficit recovery plan for the Universities Superannuation Scheme, of which the Institute is a member. Our last Trustees' report included significantly increased provision for this, reflecting the results of the valuation of the scheme which was undertaken at 31 March 2018. The report noted, however, that a more favourable valuation had been undertaken at 31 March 2019, the outcome of which had not been finalised. This is now reflected in the reduction of the provision by £483,462 (2019: increased by £724,117) in the table below. In the light of changing market conditions during the COVID-19 period, a further valuation of the Fund has taken place which may further impact on the provision required in future years. Excluding the movement in the USS deficit provision and unrealised gains/losses on investments, the Institute recorded a net surplus for the year of £70,776 (2019: £39,732) as set out in the following table:

	2019-2020	2018-2019	2017-2018	2016-2017
	£	£	£	£
Income				
Fees for research work	4,938,095	3,638,504	2,855,117	1,731,450
Economic model fees	590,109	637,609	596,043	534,331
Publications	232,451	225,458	226,384	253,172
Corporate membership	104,605	96,562	92,449	54,500
Donations and contributions	76,836	76,548	31,623	500
Investment income	71,466	68,540	65,512	69,430
Other income	71,337	87,917	90,915	77,701
	<u>6,084,899</u>	<u>4,831,138</u>	<u>3,958,053</u>	<u>2,721,084</u>
Expenditure				
Staff costs*	2,752,768	2,692,312	2,376,385	2,014,621
Other expenditure	<u>3,261,355</u>	<u>2,099,094</u>	<u>1,741,551</u>	<u>1,026,028</u>
	<u>6,014,123</u>	<u>4,791,406</u>	<u>4,117,936</u>	<u>3,040,649</u>
Net surplus/(deficit) excluding gain/loss on investments and USS deficit provision	<u>70,776</u>	<u>39,732</u>	<u>(159,883)</u>	<u>(319,565)</u>
Net (losses)/gains on investments	(267,456)	88,433	(41,178)	363,886
Movement USS deficit provision	<u>483,462</u>	<u>(724,117)</u>	<u>20,538</u>	<u>(10,071)</u>
Net movement in funds as per the statement of financial activities	<u>286,782</u>	<u>(595,952)</u>	<u>(180,523)</u>	<u>34,250</u>

* For the purposes of comparability, staff costs above are shown exclusive of the movement in the USS deficit reduction provision as this does not relate to the operational activities of the Institute during the year (see note 7 to the financial statements).

Total income for the year to 31 March 2020 has risen by 26% compared to prior year mainly as a result of a 36% increase in income from research work. This was primarily a result of income relating to the ESCoE and the ‘Rebuilding Macroeconomics’ Network, a high proportion of which is subsequently passed on to organisations partnering with the Institute under these initiatives. This increase in costs attributable to grants held and awarded by our host institutions is reflected within “other expenditure” above and set out in note 5 to the financial statements within “fees and other direct costs”.

Expenditure for the year, excluding the movement in the USS pension provision, has also increased by 26%, primarily due to the corresponding large increase in direct research

expenses noted above, including costs relating to collaborative partners under ESCoE and Rebuilding Macroeconomics.

Balance Sheet

Cash at bank and in hand increased by £363k during the year to £2,117k mainly as a result of net project funds received in advance. Within deferred income of £1,875k, £1,406k represented research projects of which approximately 78% (£1,096k) related to Rebuilding Macroeconomics (RM) and ESCoE projects. In addition, expenditure accruals related to RM and ESCoE increased by £625k year-on-year. These impacts were partially offset by debtors of £498k connected to ESCoE.

The level of unrestricted reserves on the balance sheet has increased to £1,930k at the end of the year compared to £1,643k at 31 March 2019, with the operational surplus and revised USS pension provision being partly offset by net unrealised losses in the investment portfolio.

Included in the balance sheet is a provision for liabilities of £654k (31 March 2019: £1,138k). This represents the contractual obligation in relation to the USS deficit recovery plan, representing deficit contributions of between 2% and 6% of employers USS contributions until March 2028, over which period an annual outflow of approximately £100k related to this provision is expected, and is discounted to present value accordingly.

INVESTMENT POLICY

The Investment Committee is responsible for managing all the invested assets held by the Institute with a view to achieving a return to help further the Institute's objectives. Paying due regard to investment risks, the Committee's overall objectives are to create sufficient income and capital growth to support the Institute in carrying out its purposes consistently year by year with due and proper consideration for future needs and the maintenance of and, if possible, enhancement of the value of the invested funds while they are retained.

These objectives are to be achieved by investing prudently in a broad range of fixed interest securities and equities which are quoted on a Recognised Investment Exchange and unit trusts and OEICs (open ended investment companies) which are authorised under the Financial Services and Markets Act 2000. There will be no investment in unquoted securities

The Committee operates under delegated investment powers from the Council of Management, set out in its terms of reference. The Trustees have agreed to aim for a medium risk portfolio and expect the Investment Managers to balance the risk given broad market conditions. There is currently one discretionary Investment Manager, whose performance is subject to regular review by the Investment Committee, and whose appointment is formally reviewed at least every three years. The Committee has increased the frequency of contact with the Manager during the exceptionally volatile market conditions arising from the COVID-19 virus, and reported to Trustees at each meeting. At the time of writing, no change to the overall investment policy or objectives has been requested.

During the year to 31 March 2020 there was a net decrease in the fair value of listed investments of £267,456 (2019: net increase of £88,433). This primarily reflected market volatility in the last two months of the year, resulting from the COVID virus. The period

between April and August 2020 has seen significant recovery, with the value of investments increasing by over £300,000 from the figure of £2,198 million quoted on the balance sheet.

Reserves policy and going concern

The Trustees aim to maintain free reserves in unrestricted funds at a level which provides for the ongoing running and development of the Institute and should be sufficient to cover:

- Legal obligations;
- Risks relating to the historic variability of research and trading income;
- Risks relating to the historic variability of investment income;
- Unforeseen day-to-day operational costs; and
- Emergency costs.

Trustees have reviewed these risks and agree that the Institute will aim to hold free reserves of between £2-3,000,000 in an unrestricted general fund. These reserves are subject to annual review by Trustees, and have been specifically reviewed in the light of any additional risks created by the COVID-19. It has been agreed that the target level of free reserves remains broadly appropriate.

The balance held as unrestricted reserves at 31 March 2020 was £1,930,207. This reflects the USS deficit provision of £654,123 over the next eight years, which is a longer period than the reserves policy is intended to cover and does not include estimated future financial surpluses over this period. The proportion of this provision which relates to the next five years amounts to £376,030. Adding back the part of the USS deficit provision relating to years 6-8 of £278,093 and deducting fixed assets (£158,121) and the designated funds (£8,995) would result in unrestricted free reserves of £2,041,184 at the end of the year. This figure also reflects the sharp decline in the value of our investments at the end of the year, as described above.

To facilitate the management of short-term cash flow fluctuations, a small amount of the reserves has been invested in easily accessible bank accounts.

Our quarter one management accounts currently forecast a loss of £380,000 for 20/21 partly due to the impact of the pandemic but mostly due to investment planned as part of our budgeting process.

In view of the above, the Trustees have considered the risks faced by the Institute and conclude that no material uncertainties related to events or conditions that may cast significant doubt over the ability of the Institute to continue as a going concern have been identified.

Designated funds

The Institute holds a small proportion of its reserves as a 'designated' Work Experience support fund. This was established in 2011 from a legacy of £10,000 from a former Institute Secretary, Mrs Kit Jones, and the money is to be used to provide an annual paid work placement for a sixth form student based in the London Borough of Barking and Dagenham, which is in line with the Institute's charitable aims.

The levels of any designated funds are subject to annual review by Trustees.

STRUCTURE, GOVERNANCE AND MANAGEMENT

The Institute is both a company limited by guarantee and a registered UK Charity. It is governed by a Board of Trustees who are collectively responsible for the governance and strategic direction of the Institute together with its organisational and financial health and its external reputation and delivery of public benefit, in the context of its principal object as defined in the Memorandum and Articles of Association.

The Board of Trustees consists of senior representatives from the worlds of policymaking, business and academia. It is the Policy of Council that new Trustee positions should normally be advertised publicly with the aim of appointing a diverse board with an appropriate mix of skills. Trustees are appointed at the Institute's Annual General Meeting in December 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. New Trustees receive an induction into their role which includes understanding and fulfilling any training needs. All Trustees give of their time freely and no Trustee remuneration was paid in the year. Details of Trustee expenses and related party transactions are disclosed in notes 7 and 9 to the accounts.

Council has three committees, consisting of the following Trustees and executive staff:

- Audit, Risk and Ethics Committee
 - Neil Gaskell (Chair)
 - Tera Allas
 - Keith Mackrell
 - Neville Manuel
 - Jagjit Chadha (Director) in attendance
 - John Kirkland (Chief Operating Officer) in attendance
- Investment Committee
 - Sir Alan Budd (Chair)
 - Professor David Greenaway
 - Giles Keating (co-opted)
 - Jagjit Chadha (Director) in attendance
 - Helen Finely (Head of Finance) in attendance
 - John Kirkland (Chief Operating Officer) in attendance
- Nominations and Remuneration Committee
 - Professor Diane Coyle (Chair)
 - Professor Phillip Brown
 - Alex Baker
 - Professor Jill Ruberry
 - Professor Lorna Unwin
 - Jagjit Chadha (Director)
 - John Kirkland (Chief Operating Officer) in attendance

In addition, a decision was taken during the year to establish a Donations Review Committee, as part of new procedures established to ensure due diligence and financial transparency in donations received by the Institute. The Committee will meet as required and its initial membership comprises Neville Manuel (representing the Audit and Risk Committee), Jenny Bates and Romesh Vaitilingham.

Each committee reports to Council, making recommendations for Council review and decision.

Council delegates responsibility for the day to day running of the Institute to the Director, who reports to Council quarterly. The Director works to an agreed set of objectives and key performance indicators reviewed annually, manages the research portfolio and acts as the primary representative of the organisation externally. The Chief Operating Officer and Company Secretary of the Institute is responsible for the operational and commercial efficiency of the Institute.

STAFFING

At the end of the period the Institute has a headcount of 51 staff, equivalent to 43.7 full time employees. The year has seen 23 starters (including 11 staff on permanent contracts) and 20 departures (12 permanent contracts). Of the current staff, 26 were female and 25 male. 24 were from outside the United Kingdom, of which 14 were EU citizens.

Staff turnover figures are significantly higher than the previous year, This can be attributed to a number of reasons, such as the success of staff in gaining prestigious appointments elsewhere and the fact that a large number of staff were recruited during a relatively short period in 2017, who might naturally be expected to stay for a 2-3 year period. Nevertheless, turnover is considered an issue of concern by Trustees and management. Towards the end of the year a proposal from management to establish a designated human resources post for the first time was agreed, and followed up by a staff survey. A number of proposals directly resulting from this exercise will be implemented in the 2020-21 financial year.

We remain encouraged by the standard of staff which we have recruited during the year, including a strong international component. Our intention is to reinforce the reputation of the Institute as an ideal place for high quality staff to begin and develop their career, by redesigning systems for career progression, training and publication and networking opportunities.

The management recognise the Unite union as having collective bargaining rights in relation to pay, hours and holiday for all employees with the exception of the Director and the Chief Operating Officer. A Staff Consultative Committee provides a forum for discussion on non-contractual issues, which the Director reports progress to all staff at regular meetings. The Nominations and Remuneration Committee has the responsibility for setting the Director's remuneration and reviewing performance, and the Director has the responsibility for setting the remuneration of all other staff.

STATEMENT OF RESPONSIBILITIES OF THE TRUSTEES

The Trustees (who are also directors of The National Institute of Economic and Social Research for the purposes of company law) are responsible for preparing the Trustees' annual 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 which 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 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 and statements of recommended practice have been followed, subject to any material departures disclosed and explained in the financial statements
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in operation

The Trustees are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company 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.

In so far as the Trustees are aware:

- There is no relevant audit 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 has been approved by the trustees and signed on their behalf by

Professor Diane Coyle, Chair

24 September 2020

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

Opinion

We have audited the financial statements of The National Institute of Economic and Social Research (the 'parent charitable company') and its subsidiaries (the 'group') for the year ended 31 March 2019 which comprise the consolidated statement of financial activities, the group and parent charitable company balance sheets, the consolidated statement of cash flows and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- Give a true and fair view of the state of the group's and of the parent charitable company's affairs as at 31 March 2019 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 and the Charities Act 2011

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the group financial statements section of our report. We are independent of the group and parent charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

- The Trustees' use of the going concern basis of accounting in the preparation of the group financial statements is not appropriate; or
- The Trustees have not disclosed in the group financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent charitable company's ability to continue to adopt the going concern basis of

accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

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

In connection with our audit of the group financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the group financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the group financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- The information given in the Trustees' annual report for the financial year for which the financial statements are prepared is consistent with the financial statements
- The Trustees' annual report has been prepared in accordance with applicable legal requirements

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 and Charities Act 2011 requires us to report to you if, in our opinion:

- Adequate accounting records have not been kept by the parent charitable company, or returns adequate for our audit have not been received from branches not visited by us; or
- The parent charitable company financial statements are not in agreement with the accounting records and returns; or
- Certain disclosures of Trustees' remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit; or

- The Trustees were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the Trustees' annual report and from the requirement to prepare a strategic report.

Responsibilities of Trustees

As explained more fully in the statement of Trustees' responsibilities set out in the Trustees' annual report, the Trustees (who are also the directors of the parent charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustees are responsible for assessing the group's and the parent charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intend to liquidate the group or the parent charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

We have been appointed auditor under the Companies Act 2006 and section 151 of the Charities Act 2011 and report in accordance with those Acts.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's or the parent charitable company's internal control
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trustees

- Conclude on the appropriateness of the Trustees' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's or the parent charitable company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group or the parent charitable company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Use of our report

This report is made solely to the charitable company's members as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and section 144 of the Charities Act 2011 and regulations made under section 154 of that Act. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Judith Miller (Senior statutory auditor)

Date

for and on behalf of Sayer Vincent LLP, Statutory Auditor

Invicta House, 108-114 Golden Lane, LONDON, EC1Y 0TL

Sayer Vincent LLP is eligible to act as auditor in terms of section 1212 of the Companies Act 2006

Consolidated statement of financial activities (incorporating an income and expenditure account)

For the year ended 31 March 2020

	Note	2020 Unrestricted £	2020 Restricted £	2020 Total £	2019 Unrestricted £	2019 Restricted £	2019 Total £
Income from:							
Donations and contributions		76,836	-	76,836	76,548	-	76,548
Charitable activities	2						
Research work		867,770	4,070,325	4,938,095	1,069,039	2,569,465	3,638,504
Econometric model		590,109	-	590,109	637,609	-	637,609
Publications		232,451	-	232,451	225,458	-	225,458
Other trading activities	3	175,942	-	175,942	184,479	-	184,479
Investments	4	71,466	-	71,466	68,540	-	68,540
Total income		2,014,574	4,070,325	6,084,899	2,261,673	2,569,465	4,831,138
Expenditure on:							
Charitable activities							
Research work		833,303	3,987,420	4,820,723	1,422,196	3,005,449	4,427,645
Econometric model		280,934	-	280,934	483,792	-	483,792
Publications		352,864	-	352,864	468,840	-	468,840
Other trading activities		70,948	-	70,948	129,275	-	129,275
Investment management		5,192	-	5,192	5,971	-	5,971
Total expenditure	5a	1,543,241	3,987,420	5,530,661	2,510,074	3,005,449	5,515,523
Net income/(expenditure) before net gains/(losses) on investments		471,333	82,905	554,238	(248,401)	(435,984)	(684,385)
Net (losses)/gains on investments		(267,456)	-	(267,456)	88,433	-	88,433
Net income/(expenditure) for the year	6	203,877	82,905	286,782	(159,968)	(435,984)	(595,952)
Transfers between funds		82,905	(82,905)	-	(435,984)	435,984	-
Net movement in funds		286,782	-	286,782	(595,952)	-	(595,952)
Reconciliation of funds:	21a						
Total funds brought forward		1,643,425	-	1,643,425	2,239,377	-	2,239,377
Total funds carried forward		1,930,207	-	1,930,207	1,643,425	-	1,643,425

All of the above results are derived from continuing activities. There were no other recognised gains or losses other than those stated above. Movements in funds are disclosed in Note 21a to the financial statements.

Balance sheets

Company no. 0341010

As at 31 March 2020

	Note	The group		The charity	
		2020	2019	2020	2019
		£	£	£	£
Fixed assets:					
Tangible assets	11	158,121	124,632	158,121	124,632
Investments	12	2,198,659	2,471,395	2,198,661	2,471,397
		<u>2,356,780</u>	<u>2,596,027</u>	<u>2,356,782</u>	<u>2,596,029</u>
Current assets:					
Debtors	15	1,295,303	1,369,813	1,296,205	1,522,846
Cash at bank and in hand		2,116,745	1,754,132	2,115,843	1,601,099
		<u>3,412,048</u>	<u>3,123,945</u>	<u>3,412,048</u>	<u>3,123,945</u>
Liabilities:					
Creditors: amounts falling due within one year	16	(3,184,498)	(2,938,962)	(3,184,498)	(2,938,962)
Net current assets		<u>227,550</u>	<u>184,983</u>	<u>227,550</u>	<u>184,983</u>
Total assets less current liabilities		<u>2,584,330</u>	<u>2,781,010</u>	<u>2,584,332</u>	<u>2,781,012</u>
Provisions for liabilities	18	(654,123)	(1,137,585)	(654,123)	(1,137,585)
Total net assets	20a	<u>1,930,207</u>	<u>1,643,425</u>	<u>1,930,209</u>	<u>1,643,427</u>
Funds:	21a				
Restricted income funds		-	-	-	-
Unrestricted income funds:					
Designated funds		8,995	8,995	8,995	8,995
Fair value reserve		-	196,734	-	196,734
General funds		2,575,335	2,575,281	2,575,337	2,575,283
Pension reserve		(654,123)	(1,137,585)	(654,123)	(1,137,585)
Total unrestricted funds		<u>1,930,207</u>	<u>1,643,425</u>	<u>1,930,209</u>	<u>1,643,427</u>
Total funds		<u>1,930,207</u>	<u>1,643,425</u>	<u>1,930,209</u>	<u>1,643,427</u>

Approved by the Trustees and signed on their behalf by

Professor Diane Coyle
Chair, Council of Management

24 September 2020

Consolidated statement of cash flows

For the year ended 31 March 2020

	Note	2020 £	£	2019 £	£
Cash flows from operating activities					
Net income/(expenditure) for the year (as per the statement of financial activities)		286,782		(595,952)	
Depreciation charges		9,123		21,047	
Losses on disposal of fixed assets		-		1,589	
Losses/(gains) on investments		267,456		(88,433)	
Dividends, interest and rent from investments		(71,466)		(68,540)	
Decrease/(increase) in debtors		74,510		(161,262)	
Increase in creditors		245,536		528,419	
(Decrease)/increase in provisions for liabilities		(483,462)		724,117	
Net cash provided by operating activities			328,479		360,985
Cash flows from investing activities:					
Dividends, interest and rents from investments		71,466		68,540	
Purchase of fixed assets		(42,612)		-	
Purchase of investments		-		(6,984)	
Net cash provided by investing activities			28,854		61,556
Change in cash and cash equivalents in the year			357,333		422,541
Cash and cash equivalents at the beginning of the year			1,784,823		1,362,282
Cash and cash equivalents at the end of the year			2,142,156		1,784,823
		At 1 April 2019 £	Cash flows £	Other changes £	At 31 March 2020 £
Cash at bank and in hand		1,754,132	362,613	-	2,116,745
Cash held within investments		30,691	(5,280)	-	25,411
Total cash and cash equivalents		1,784,823	357,333	-	2,142,156

1 Accounting policies

a) Statutory information

The National Institute of Economic and Social Research is a charitable company limited by guarantee and is incorporated in the United Kingdom.

The registered office address is 2 Dean Trench Street, Smith Square, London, SW1P 3HE.

b) Basis of preparation

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) – (Charities SORP FRS 102), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy or note.

These financial statements consolidate the results of the charitable company and its wholly-owned subsidiary NIESR Services Limited on a line by line basis. Transactions and balances between the charitable company and its subsidiary have been eliminated from the consolidated financial statements. Balances between the two companies are disclosed in the notes of the charitable company's balance sheet. A separate statement of financial activities, or income and expenditure account, for the charitable company itself is not presented because the charitable company has taken advantage of the exemptions afforded by section 408 of the Companies Act 2006.

c) Public benefit entity

The charitable company meets the definition of a public benefit entity under FRS 102.

d) Going concern

The trustees consider that there are no material uncertainties about the charitable company's ability to continue as a going concern.

The trustees do not consider that there are any sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period.

Although Covid 19 has had some initial impact causing delays to project delivery these have mostly been mitigated. In the early part of 20/21 the Institute has been successful in accessing grants specifically concerned with the impact of Covid 19 and the trustees do not consider that Pandemic poses a material risk to the charitable company's ability to continue as a going concern.

e) Income

Income is recognised when the charity has entitlement to the funds, any performance conditions attached to the income have been met, it is probable that the income will be received and that the amount can be measured reliably.

Income from government and other grants, whether 'capital' grants or 'revenue' grants, is recognised when the charity has entitlement to the funds, any performance conditions attached to the grants have been met, it is probable that the income will be received and the amount can be measured reliably and is not deferred.

Income received in advance of the provision of a specified service is deferred until the criteria for income recognition are met.

f) Interest and dividends receivable

Interest on funds held on deposit and dividends on investments are included when receivable and the amount can be measured reliably by the charity. This is normally upon notification of the interest paid or payable by the bank or, with dividends, as notified by the investment manager.

g) Fund accounting

Restricted funds are to be used for specific purposes as laid down by the donor. Expenditure which meets these criteria is charged to the fund.

Unrestricted funds are donations and other incoming resources received or generated for the charitable purposes.

Designated funds are unrestricted funds earmarked by the trustees for particular purposes.

Notes to the financial statements

For the year ended 31 March 2020

1 Accounting policies (continued)

h) Expenditure and irrecoverable VAT

Expenditure is recognised once there is a legal or constructive obligation to make a payment to a third party, it is probable that settlement will be required and the amount of the obligation can be measured reliably. Expenditure is classified under the following activity headings:

- Expenditure on charitable activities includes the costs of research work, the provision of our econometric model and the provision of our quarterly review, and their associated support costs.
- Other expenditure includes the cost of management of our investment portfolio and other trading activities, including costs associated with corporate membership, rental and other income.

Irrecoverable VAT is charged as a cost against the activity for which the expenditure was incurred.

i) Allocation of support costs

Resources expended are allocated to the particular activity where the cost relates directly to that activity.

Support and governance costs, including the salary and overhead costs of the central function, are re-allocated to each of the activities on the following basis which is an estimate, based on staff time, of the amount attributable to each activity in the year.

	2020	2019
● Research work	78.3%	74.8%
● Publications	9.5%	9.8%
● Econometric model	9.3%	11.8%
● Other trading activities	2.7%	3.4%
● Investment management	0.2%	0.2%

Governance costs are the costs associated with the governance arrangements of the charity. These costs are associated with constitutional and statutory requirements and include any costs associated with the strategic management of the charity's activities.

j) Tangible fixed assets

Items of equipment are capitalised where the purchase price exceeds £1,500. Depreciation costs are allocated to activities on the basis of the use of the related assets in those activities. Assets are reviewed for impairment if circumstances indicate their carrying value may exceed their net realisable value and value in use. Major components are treated as a separate asset where they have significantly different patterns of consumption of economic benefits and are depreciated separately over its useful life.

Where fixed assets have been revalued, any excess between the revalued amount and the historic cost of the asset will be shown as a revaluation reserve in the balance sheet.

Depreciation is provided at rates calculated to write down the cost of each asset to its estimated residual value over its expected useful life. The depreciation rates in use are as follows:

- | | |
|---------------------------------|----------|
| ● Property improvements | 10 years |
| ● Office and computer equipment | 3 years |
| ● IT upgrade | 4 years |
| ● Website development | 4 years |

Land is not depreciated as it is deemed to have an infinite useful life.

k) Listed investments

Investments are a form of basic financial instrument and are initially recognised at their transaction value and subsequently measured at their fair value as at the balance sheet date using the closing quoted market price. Any change in fair value will be recognised in the statement of financial activities and any excess of fair value over the historic cost of the investments will be shown as a fair value reserve in the balance sheet. Investment gains and losses, whether realised or unrealised, are combined and shown in the heading "Net gains/(losses) on investments" in the statement of financial activities. The charity does not acquire put options, derivatives or other complex financial instruments.

Notes to the financial statements

For the year ended 31 March 2020

1 Accounting policies (continued)

l) Investments in subsidiaries

Investments in subsidiaries are at cost.

m) Debtors

Trade and other debtors are recognised at the settlement amount due after any trade discount offered. Prepayments are valued at the amount prepaid net of any trade discounts due.

n) Short term deposits

Short term deposits includes cash balances that are invested in accounts with a maturity date of between 3 and 12 months.

o) Cash at bank and in hand

Cash at bank and cash in hand includes cash and short term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account.

p) Creditors and provisions

Creditors and provisions are recognised where the charity has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors and provisions are normally recognised at their settlement amount after allowing for any trade discounts due.

q) Financial instruments

With the exception of the listed investments described above, the charity only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value with the exception of bank loans which are subsequently measured at amortised cost using the effective interest method.

r) Pensions

The charity participates in Universities Superannuation Scheme. The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the assets are not attributed 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. As required by Section 28 of FRS 102 "Employee benefits", the institution therefore accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme. Since the institution has entered into an agreement (the Recovery Plan) that determines how each employer within the scheme will fund the overall deficit, the institution recognises a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) with related expenses being recognised through the profit and loss account.

The charity also operates an Auto-Enrolment Compliant (AE) defined contribution scheme. The assets of these schemes are individually held by its members. Contributions to these schemes in the year were charged to the statement of financial activities as incurred.

s) Critical accounting judgements

FRS 102 makes the distinction between a group plan and a multi-employer scheme. A group plan consists of a collection of entities under common control typically with a sponsoring employer. A multi-employer scheme is a scheme for entities not under common control and represents (typically) an industry-wide scheme such as Universities Superannuation Scheme. The accounting for a multi-employer scheme where the employer has entered into an agreement with the scheme that determines how the employer will fund a deficit results in the recognition of a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and the resulting expense in profit or loss in accordance with section 28 of FRS 102. The trustees are satisfied that Universities Superannuation Scheme meets the definition of a multi-employer scheme and has therefore recognised the discounted fair value of the contractual contributions under the recovery plan in existence at the date of approving these financial statements.

Notes to the financial statements

For the year ended 31 March 2020

2 Income from charitable activities

	Unrestricted £	Restricted £	2020 Total £	Unrestricted £	Restricted £	2019 Total £
Research work						
Government	578,688	1,558,782	2,137,470	793,581	1,365,384	2,158,965
Research Councils	-	2,011,766	2,011,766	-	854,165	854,165
Trusts & Foundations	55,501	498,993	554,494	95,269	332,604	427,873
European Commission institutions	32,229	-	32,229	24,075	17,312	41,387
Other	201,352	784	202,136	156,114	-	156,114
Sub-total	867,770	4,070,325	4,938,095	1,069,039	2,569,465	3,638,504
Econometric model fees						
Subscriptions	590,109	-	590,109	637,609	-	637,609
Sub-total	590,109	-	590,109	637,609	-	637,609
Publications						
Sales and other	232,451	-	232,451	225,458	-	225,458
Sub-total	232,451	-	232,451	225,458	-	225,458
Total income from charitable activities	1,690,330	4,070,325	5,760,655	1,932,106	2,569,465	4,501,571

3 Income from other trading activities

	2020 Total £	2019 Total £
Corporate membership	104,605	96,562
Room rental	20,127	24,985
Other income	51,210	62,932
	175,942	184,479

All income from other trading activities is unrestricted.

4 Income from investments

	2020 Total £	2019 Total £
Dividends	62,720	62,072
Bank interest	8,746	6,468
	71,466	68,540

All income from investments is unrestricted.

5a Analysis of expenditure (current year)

	Raising funds		Charitable activities					2020 Total £	2019 Total £
	Investment management £	Other trading activities £	Publications £	Econometric model £	Research work £	Governance costs £	Support costs £		
Staff costs (Note 7)	3,742	47,446	168,696	165,911	1,398,379	-	485,132	2,269,306	3,416,429
Fees and other direct costs	-	-	101,079	1,453	2,610,458	-	-	2,712,990	1,523,172
Travel and subsistence	-	133	-	2,527	81,447	1,130	8,809	94,046	77,592
Books and journals	-	-	-	-	2,868	-	24,258	27,126	23,367
Research materials	-	-	-	24,926	12,900	-	-	37,826	54,188
Sundry expenses	-	-	-	3,321	24,148	2,994	113,026	143,489	160,532
Premises	-	-	-	-	-	-	103,903	103,903	128,466
IT	-	-	-	1,078	1,763	-	99,049	101,890	83,055
Professional fees	-	-	-	-	-	22,341	6,003	28,344	23,768
Depreciation	-	-	-	-	-	-	9,123	9,123	21,047
Finance costs and bad debts	-	-	-	-	-	-	2,618	2,618	3,907
	3,742	47,579	269,775	199,216	4,131,963	26,465	851,921	5,530,661	5,515,523
Support costs	1,406	22,665	80,586	79,256	668,008	-	(851,921)	-	-
Governance costs	44	704	2,503	2,462	20,752	(26,465)	-	-	-
Total expenditure 2020	5,192	70,948	352,864	280,934	4,820,723	-	-	5,530,661	
Total expenditure 2019	5,971	129,275	468,840	483,792	4,427,645	-	-		5,515,523

5b Analysis of expenditure (prior year)

	Raising funds		Charitable activities					2019 Total £
	Investment management £	Other trading activities £	Publications £	Econometric model £	Research work £	Governance costs £	Support costs £	
Staff costs (Note 7)	4,170	97,469	281,817	341,493	2,157,560	-	533,920	3,416,429
Fees and other direct costs	-	-	95,710	1,107	1,426,355	-	-	1,523,172
Travel and subsistence	-	305	-	1,222	64,902	329	10,834	77,592
Books and journals	-	-	232	-	255	-	22,880	23,367
Research materials	-	-	-	27,254	26,934	-	-	54,188
Sundry expenses	-	-	-	2,347	54,329	549	103,307	160,532
Premises	-	-	-	-	-	-	128,466	128,466
IT	-	-	-	-	-	-	83,055	83,055
Professional fees	-	-	-	-	-	19,598	4,170	23,768
Depreciation	-	-	-	-	-	-	21,047	21,047
Finance costs and bad debts	-	-	-	-	-	25	3,882	3,907
	4,170	97,774	377,759	373,423	3,730,335	20,501	911,561	5,515,523
Support costs	1,761	30,808	89,078	107,941	681,973	-	(911,561)	-
Governance costs	40	693	2,003	2,428	15,337	(20,501)	-	-
Total expenditure 2019	5,971	129,275	468,840	483,792	4,427,645	-	-	5,515,523

Notes to the financial statements

For the year ended 31 March 2020

6 Net income / (expenditure) for the year

This is stated after charging:

	2020 £	2019 £
Depreciation	9,123	21,047
Loss on disposal of fixed assets	-	(1,589)
Auditor's remuneration (excluding VAT):		
Audit	15,500	15,100
Other services	2,325	1,390
Foreign exchange losses	35	2,390
	<u> </u>	<u> </u>

7 Analysis of staff costs, trustee remuneration and expenses, and the cost of key management personnel

Staff costs were as follows:

	2020 £	2019 £
Salaries and wages	2,139,920	2,096,319
Interim staff costs	72,603	87,150
Social security costs	224,878	220,920
Employer's contribution to defined contribution pension schemes	15,453	13,656
Employer's contribution to defined benefit pension schemes	299,914	274,267
Movement in provision for USS pension scheme	(483,462)	724,117
	<u>2,269,306</u>	<u>3,416,429</u>

The following number of employees received employee benefits exceeding £60,000 (excluding employer pension costs and employer's national insurance) during the year between:

	2020 No.	2019 No.
£60,000 – £69,999	2	3
£70,000 – £79,999	-	2
£80,000 – £89,999	2	-
£90,000 – £99,999	1	1
£100,000 – £109,999	-	1
£110,000 – £119,999	1	-
£150,000 – £159,999	1	-
£160,000 – £169,999	-	1
	<u> </u>	<u> </u>

The key management of the charity comprise the trustees, the Director and the Chief Operating Officer. The total employee benefits (including employer's pension contributions and employer's national insurance) of the key management personnel were £290,180 (2019: £311,850).

As permitted by the charity's memorandum and articles of association, the Director is also a member of the Council of Management. During the year, the Director received a salary of £150,000 (2019: £161,250) plus pension benefits of £30,450 (2019: £29,025). No other charity trustees were paid nor received any other benefits from employment with the charity in the year (2019: £nil). No charity trustee received payment for professional or other services supplied to the charity (2019: £nil).

Trustees' expenses represent the payment or reimbursement of travel and subsistence costs and totalled £860 (2019: £297) incurred by 3 (2019: 2) members relating to attendance at meetings of the trustees.

8 Staff numbers

The average number of employees (head count based on number of staff employed and interim management personnel) during the year was 48 (2019: 49).

Notes to the financial statements

For the year ended 31 March 2020

9 Related party transactions

There are no related party transactions to disclose for 2020 (2019: none).

There are no donations from related parties which are outside the normal course of business and no restricted donations from related parties.

10 Taxation

The charity is exempt from corporation tax as all its income is charitable and is applied for charitable purposes. All profits from the charity's trading subsidiary NIESR Services Limited are paid to the parent charity by way of a distribution under gift aid and a corresponding tax credit is recorded at the point of the distribution, therefore there is no liability to corporation tax in either the current or prior financial year.

11 Tangible fixed assets

The group and charity

	Freehold property £	Property improvements £	IT and office equipment £	Website £	Total £
Cost					
At the start of the year	118,380	106,785	138,780	42,498	406,443
Additions in year	-	-	42,612	-	42,612
At the end of the year	118,380	106,785	181,392	42,498	449,055
Depreciation					
At the start of the year	-	105,697	133,616	42,498	281,811
Charge for the year	-	1,088	8,035	-	9,123
At the end of the year	-	106,785	141,651	42,498	290,934
Net book value					
At the end of the year	118,380	-	39,741	-	158,121
At the start of the year	118,380	1,088	5,164	-	124,632

During 2016 the charity sought independent professional advice in relation to the value of its freehold property. This advice indicated a valuation significantly in excess of the carrying value of the assets in the financial statements. As a result the charity reconfirmed its practice in recent years of not depreciating its freehold property.

All of the above assets are used for charitable purposes.

12 Investments

	The group		The charity	
	2020 £	2019 £	2020 £	2019 £
Fair value at the start of the year	2,440,704	2,345,287	2,440,704	2,345,287
Additions at cost	-	6,984	-	6,984
Disposal proceeds	-	-	-	-
Net (loss)/gain on change in fair value	(267,456)	88,433	(267,456)	88,433
Listed investments	2,173,248	2,440,704	2,173,248	2,440,704
Investment in subsidiary companies	-	-	2	2
Cash held by investment broker	25,411	30,691	25,411	30,691
Fair value at the end of the year	2,198,659	2,471,395	2,198,661	2,471,397

Notes to the financial statements

For the year ended 31 March 2020

13 Subsidiary undertaking

The charitable company owns the whole of the issued ordinary share capital of NIESR Services Limited, a company registered in England (Company number: 04063185, address: 2 Dean Trench Street, London, SW1P 3HE). All activities have been consolidated on a line by line basis in the statement of financial activities. Available profits are distributed under gift aid to the charitable company. The Director and Chief Operating Officer of the charitable company are also directors of the subsidiary. A summary of the results of the subsidiary is shown below:

	2020 £	2019 £
Turnover	-	134,172
Cost of sales	-	(56,091)
Gross profit	-	78,081
Administrative expenses	-	(96)
(Loss)/profit on ordinary activities before interest and taxation	-	77,985
Interest receivable and similar income	-	-
Profit on ordinary activities before taxation	-	77,985
Taxation on profit on ordinary activities	-	-
Profit for the financial year	-	77,985
Retained earnings		
Retained earnings brought forward	-	-
Profit for the financial year	-	77,985
Profits distributed to parent under gift aid	-	(77,985)
Retained earnings carried forward	-	-

No management charges (2019: nil) from the parent entity were incurred by the subsidiary undertaking. Amounts owed to/from the parent company are shown in note 15 and 16.

14 Parent charity

The parent charity's gross income and the results for the year are disclosed as follows:

	2020 £	2019 £
Gross income	6,084,899	4,664,747
Result for the year	286,782	(595,952)

Notes to the financial statements

For the year ended 31 March 2020

15 Debtors

	The group		The charity	
	2020	2019	2020	2019
	£	£	£	£
Trade debtors	1,004,919	970,276	1,004,919	970,276
Prepayments and other debtors	46,990	72,802	46,990	72,802
Amounts owed from subsidiary undertaking	–	–	902	153,033
Accrued income	243,394	326,735	243,394	326,735
	1,295,303	1,369,813	1,296,205	1,522,846

With the exception of listed investments, all of the group's financial instruments, both assets and liabilities, are measured at amortised cost.

16 Creditors: amounts falling due within one year

	The group		The charity	
	2020	2019	2020	2019
	£	£	£	£
Trade creditors	89,918	176,219	89,918	176,219
Taxation and social security	203,932	187,993	203,932	187,993
Accruals	1,016,094	394,675	1,016,094	394,675
Deferred income (note 17)	1,874,554	2,180,075	1,874,554	2,180,075
	3,184,498	2,938,962	3,184,498	2,938,962

17 Deferred income

Deferred income comprises income received in advance of the provision of a specified service.

	The group		The charity	
	2020	2019	2020	2019
	£	£	£	£
Econometric model subscriptions	291,095	252,336	291,095	252,336
Research work	1,405,925	1,804,299	1,405,925	1,804,299
Corporate membership	106,458	64,271	106,458	64,271
Royalty income	67,076	48,121	67,076	48,121
Other	4,000	11,048	4,000	11,048
Balance at the end of the year	1,874,554	2,180,075	1,874,554	2,180,075

18 Provisions for liabilities

	The group		The charity	
	2020	2019	2020	2019
	£	£	£	£
Obligation to fund deficit on USS pension				
At the start of the year	1,137,585	413,468	1,137,585	413,468
Movement in year	(483,462)	724,117	(483,462)	724,117
At the end of the year	<u>654,123</u>	<u>1,137,585</u>	<u>654,123</u>	<u>1,137,585</u>

The obligation to fund the past deficit on the University's Superannuation Scheme (USS) arises from the contractual obligation with the pension scheme for total payments relating to benefits arising from past performance. Management have assessed future employees within the USS scheme and salary payment over the period of the contracted obligation in assessing the value of this provision. The USS deficit recovery plan extends to 2028, the period over which outflow related to this provision is expected. The changes in salary costs and staff numbers have been assessed using the forecast impact of the Institute's plans on the number of staff employed, and known statutory and other increases to pay. The discount rate used is considered to be the equivalent of that of a high quality corporate bond.

19a Pension schemes – Universities Superannuation Scheme (USS)

The total amount credited to the statement of financial activities for the year relating to USS pensions was £183,548 (2019: charge of £998,384) as shown in note 7.

The latest available complete actuarial valuation of the Retirement Income Builder is at 31 March 2018 (the valuation date), which was carried out using the projected unit method. A valuation as at 31 March 2020 is underway but not yet complete.

Since the institution cannot identify its share of USS Retirement Income Builder (defined benefit) assets and liabilities, the following disclosures reflect those relevant for those assets and liabilities as a whole.

The 2018 valuation was the fifth valuation for the scheme under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £63.7 billion and the value of the scheme's technical provisions was £67.3 billion indicating a shortfall of £3.6 billion and a funding ratio of 95%.

The key financial assumptions used in the 2018 valuation are described below. More detail is set out in the Statement of Funding Principles.

Pension increases (CPI)	Term dependent rates in line with the difference between the Fixed Interest and Index Linked yield curves, less 1.3% p.a.
Discount rate (forward rates)	Years 1–10: CPI + 0.14% reducing linearly to CPI – 0.73% Years 11–20: CPI + 2.52% reducing linearly to CPI + 1.55% by year 21 Years 21 +: CPI + 1.55%

The main demographic assumption used relates to the mortality assumptions. These assumptions are based on analysis of the scheme's experience carried out as part of the 2018 actuarial valuation. The mortality assumptions used in these figures are as follows:

	2018 valuation
Mortality base table	Pre-retirement: 71% of AMC00 (duration 0) for males and 112% of AFC00 (duration 0) for females Post retirement: 97.6% of SAPS S1NMA "light" for males and 102.7% of RFV00 for females
Future improvements to mortality	CMI_2017 with a smoothing parameter of 8.5 and a long term improvement rate of 1.8% pa for males and 1.6% pa for females

Notes to the financial statements

For the year ended 31 March 2020

19a Pension schemes – Universities Superannuation Scheme (USS) (continued)

The current life expectancies on retirement at age 65 are:

	2018 valuation	2017 valuation
Males currently aged 65 (years)	24.4	24.6
Females currently aged 65 (years)	25.9	26.1
Males currently aged 45 (years)	26.3	26.6
Females currently aged 45 (years)	27.7	27.9

A new deficit recovery plan was put in place as part of the 2018 valuation, which requires payment of 2% of salaries over the period 1 October 2019 to 30 September 2021 at which point the rate will increase to 6%. The 2020 deficit recovery liability reflects this plan. The liability figures have been produced using the following assumptions:

	2020	2019
Discount rate	2.40%	2.44%
Pensionable salary growth	n/a	n/a
Pension increases (CPI)	2.00%	2.11%

19b Pension schemes – defined contribution

The group operates an Auto-Enrolment Compliant (AE) defined contribution scheme with Legal and General for non-research staff members who do not qualify for the Universities Superannuation Scheme.

The total cost charged to the statement of financial activities for the year relating to non-USS pension contributions was £15,453 (2019: £13,656) as shown in note 7.

20a Analysis of group net assets between funds (current year)

	General unrestricted £	Designated funds £	Restricted funds £	Total funds £
Tangible fixed assets	158,121	–	–	158,121
Investments	2,198,659	–	–	2,198,659
Net current assets	218,555	8,995	–	227,550
Provisions for liabilities	(654,123)	–	–	(654,123)
Net assets at 31 March 2020	1,921,212	8,995	–	1,930,207

20b Analysis of group net assets between funds (prior year)

	General unrestricted £	Designated funds £	Restricted funds £	Total funds £
Tangible fixed assets	124,632	–	–	124,632
Investments	2,471,395	–	–	2,471,395
Net current assets	175,988	8,995	–	184,983
Provisions for liabilities	(1,137,585)	–	–	(1,137,585)
Net assets at 31 March 2019	1,634,430	8,995	–	1,643,425

Notes to the financial statements

For the year ended 31 March 2020

21a Movements in funds (current year)

	At 1 April 2019 £	Income & gains £	Expenditure & losses £	Transfers £	At 31 March 2020 £
Restricted funds:	-	4,070,325	(3,987,420)	(82,905)	-
Total restricted funds	-	4,070,325	(3,987,420)	(82,905)	-
Unrestricted funds:					
Designated funds:					
Work experience support fund	8,995	-	-	-	8,995
Total designated funds	8,995	-	-	-	8,995
Fair value reserve	196,734	-	-	(196,734)	-
General funds	2,575,281	2,014,574	(1,810,697)	(203,823)	2,575,335
Pension provision	(1,137,585)	-	-	483,462	(654,123)
Total unrestricted funds	1,643,425	2,014,574	(1,810,697)	82,905	1,930,207
Total funds	1,643,425	6,084,899	(5,798,117)	-	1,930,207

The narrative to explain the purpose of each fund is given at the foot of the note below.

21b Movements in funds (prior year)

	At 31 March 2018 £	Income & gains £	Expenditure & losses £	Transfers £	At 1 April 2019 £
Restricted funds:	-	2,569,465	(3,005,449)	435,984	-
Total restricted funds	-	2,569,465	(3,005,449)	435,984	-
Unrestricted funds:					
Designated funds:					
Work experience support fund	8,995	-	-	-	8,995
Total designated funds	8,995	-	-	-	8,995
Fair value reserve	108,301	-	-	88,433	196,734
General funds	2,535,549	2,261,673	(2,421,641)	199,700	2,575,281
Pension provision	(413,468)	-	-	(724,117)	(1,137,585)
Total unrestricted funds	2,239,377	2,261,673	(2,421,641)	(435,984)	1,643,425
Total funds	2,239,377	4,831,138	(5,427,090)	-	1,643,425

Notes to the financial statements

For the year ended 31 March 2020

21c Movement in funds (purposes of funds)

Purposes of restricted funds

Restricted funds represent amounts received from funders which have to be used for the specific purpose for which they were given. Restricted income is set out by source below for all funders contributing in excess of £30,000 of restricted income during the year.

	2020 Total £	2019 Total £
Economic and Social Research Council	1,976,273	829,768
Office for National Statistics	1,558,782	1,365,386
Education Endowment Foundation	240,122	152,042
Nuffield Foundation	153,810	36,396
Leverhulme Trust	80,483	94,674
Innovate UK	35,493	–
Paul Hamlyn Foundation	–	45,631
Other	25,362	45,568
	<u>4,070,325</u>	<u>2,569,465</u>

Purposes of designated funds

Work experience support fund: Funded from a legacy of £10,000 received in 2011 from a former Secretary, Mrs Kit Jones, this designated fund is to enable paid work placements for sixth form students from the London Borough of Barking and Dagenham.

22 Legal status of the charity

The charity is a company limited by guarantee and has no share capital. The liability of each member in the event of winding up is limited to £1.