

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

Consolidated Report and financial statements
Registered number: 341010
Charity number: 306083
31 March 2014

Contents

Reference and administrative information	1
Trustees' report	2
Trustees' Responsibilities	8
Independent auditors report	9
Consolidated statement of financial activities	11
Consolidated and charity balance sheet	12
Notes to the financial statements	13

Reference and administrative information

Trustees (Members of the Council of Management)

Professor TJ Besley*+(Chairman)

N C F Barber*~+

Professor C Bean^+

Sir Alan Budd

D Coyle²

B Curtis*+

Professor J Ermisch^o

F Field²

Professor J Hills^

Professor H Joshi~

P Kellner²

J Llewellyn

H McRae^{2o}

Sir N Monck¹

J Norman²

Lord M Oakeshott

J Portes^+

* Member of Investment Committee

^o Member of Audit Committee

~ Member of Ethics Committee

^ Member of Remuneration Committee

+ Member of Steering Committee

¹ Resigned 23rd May 2013

² Appointed 21st November 2013

Chief Executive

J Portes+^

Chief Operating Officer and Company Secretary

M A Cole-Burns+^

Registered Office & Principal Place of Business

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

Registered Number: 341010 Charity Number: 306083

Auditors

BDO (UK) LLP, Pannell House, Park Street, Guildford, Surrey GU1 4HN

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 for the purposes of the Companies Act, submit their annual report and the audited financial statements for the year ended 31 March 2014. The trustees have adopted the provisions of the Statement of Recommended Practice "Accounting and Reporting by Charities" as revised in 2005 (SORP 2005) in preparing the annual report and financial statements of the charity, as well as complying with current statutory requirements and the Memorandum and Articles of Association.

1. STRUCTURE, GOVERNANCE AND MANAGEMENT

- The organisation is a charitable company limited by guarantee and was founded on 2 June 1938. It is governed by a memorandum and articles of association which have been in place since incorporation.
- The Board of Trustees consists of senior representatives from policy-making, business and academia. This enables the trustees to be effective in providing advice and guidance to the Institute's management. Applications for trusteeship are by recommendation from the Chairman of the Trustees. New Trustees can be elected only at the charity's Annual General Meeting and co-opted at other times subject to election at the next AGM. Prior to election, trustees are made aware of their obligations in relation to the Charity in line with the Memorandum and Articles of Association. Trustees are provided with information on the research activities of the Charity on a quarterly basis and are given the opportunity to attend annual presentations by the research team leaders. This gives them the opportunity to discuss the present research portfolio directly with staff. The number of Trustees must not be fewer than seven or greater than twenty-five. The Trustees meet four times a year.
- Members of the Charity guarantee to contribute an amount not exceeding £1 to the assets of the Charity in the event of winding up. The total number of such guarantees at 31 March 2014 was 16.
- The overall management of the Charity is carried out by its Director who reports to the board of Trustees (the "board") on a quarterly basis. He is particularly responsible for managing the research portfolio and acts as the figurehead of the organisation. The Chief Operating Officer and Company Secretary of the Institute runs the administration of the organisation and also reports to the Trustees.
- Following approval at the AGM in November 2012, a Steering Group of Trustees was established. This group deals with detailed issues relating to NIESR's business. It sits four times a year prior to the full Trustee meetings and reports to the Trustees. The Steering Group consists of the Chairman, President, Nicholas Barber, Bronwyn Curtis, the Director, the Chief Operating Officer and Company Secretary and the staff representative (currently Simon Kirby).
- The Institute has several sub committees. The Investment Committee, which has recently been merged into the Steering Group, was made up of Trustees who were appointed for their particularly high level of expertise and experience and was chaired by the Chairman of the Institute. The Audit Committee is made up of Trustees with appropriate experience and is chaired by John Ermisch. Both committees operate under specific terms of reference which delegate certain functions from the Trustees. A Remuneration Committee consisting of the Director, the Chief Operating Officer and Company Secretary and two trustees – Charles Bean and John Hills - has been established to consider the pay of senior staff. Each committee has its decisions ratified by the board.
- An Ethics Committee exists which has the responsibility to consider ethical issues in relation to grant applications. This reports to the Trustees and comprises of Trustees Nicholas Barber and Professor Heather Joshi. Professor Joshi is considered an expert in this sphere due to her extensive academic experience. It meets on an ad hoc basis when the need arises.

2. RISK REVIEW

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

Currently, the principal risks facing the Institute are financial. Certain weaknesses in financial and project management have recently been identified, and the Institute has sought to mitigate these by introducing a new financial and project management system, and by bringing the finance function in-house to enable better scrutiny and accountability. Going forward, it is envisaged that improved monitoring and reporting in a timely and accurate way; ensuring that the Institute has adequate skills in-house to produce and interpret budgetary and financial reports; and agreeing procedures to review and action budget/cash flow variances and monitor and control costs, will address those previously identified weaknesses.

Although the Institute continues to have good success rates in securing project funding, this is within the context of an ever challenging funding environment. The Institute is aware that careful management is required to mitigate against this, which will include the review of project budgeting and costing procedures; and ensuring adequate monitoring and reporting procedures.

The risks associated with the loss of highly specialised research staff and the subsequent operational impact on key projects and priorities, are mitigated against as much as possible, by succession planning; reviewing notice periods and handover procedures; and by taking steps to develop and retain key members of staff.

The Institute recognises the impact that an IT systems failure would have on its ability to meet operational needs, as would a failure to innovate or update systems; loss/corruption of data; lack of technical support; and breaches of third party licence agreements and data protection law. To mitigate against these risks the Institute has recently commissioned a consultative analysis and advice on support options for its IT infrastructure – the key objectives being to protect data and ensure data security and compliance; provide responsive user support; the delivery of modern IT features and working environment; and the cost effective use of IT. The conclusion of this review will result in a completely new IT infrastructure being installed and supported, which will include the introduction of a modern IT and IT security policy.

3. PUBLIC BENEFIT

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

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

NIESR realises the importance of disseminating its research to as wide an audience as possible. With this in mind, it holds regular seminars, the vast majority of which are free of charge.

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

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

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

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

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

4. OBJECTIVES AND ACTIVITIES

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

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

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

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

These objectives are pursued through three main channels:

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

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

5. FINANCIAL REVIEW

- **Financial Review**

The Statement of Financial Activities for the year (page 11) shows a shortfall in incoming resources before other recognised gains of £405,440 (2013 – a restated shortfall of £620,341) arising from gross income of £2,038,248 on the unrestricted fund (2013 restated- £2,243,451).

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

	2009-10	2010-11	2011-12	2012-13	2013-14
-Donations	41,000	29,000	46,000	29,000	34,000
-Publications	203,093	152,116	160,624	147,769	150,514
-Economic model fees	-	348,240	411,550	405,733	456,434
-Misc Income	55,128	49,875	17,424	70,772	40,263
-Fees for Research work	1,935,743	2,104,808	2,021,620	1,869,878	2,311,987
Investment Income	116,902	128,272	111,589	116,729	77,362
	2,351,866	2,812,311	2,768,807	2,639,881	3,070,560

Total expenditure, which fluctuates in line with research funding, increased by £215,778 to £3,476,000 during the year. As shown by the Accounts, the main costs of the Charity are staff costs required to deliver projects and maintain the econometric model.

The Institute's aim is to balance income and expenditure in the long run, with the inevitable implication that small surpluses and deficits can arise from one year to the next. However, the Institute continues to be affected by the challenging funding environment which has had a detrimental effect on the results for the financial year 2013-14. In addition, weaknesses in the Institute's financial reporting systems and procedures, which resulted in inaccurate financial information being reported in previous years' financial statements, have recently been identified. The comparative figures for the financial year 2012-13 have, as a consequence, been restated in these financial statements. This discovery has led to the introduction of a new financial and project management system, and the decision to bring the finance function in-house. This will enable a higher level of scrutiny of the Institute's finances, and will address those previously identified weaknesses. Accordingly, the Trustees consider that the shortfall of £405,440 for the year will be improved on during the next financial period.

The balance sheet shows a decrease in unrestricted funds of approximately £326,313 or 9 per cent compared with the restated figure for 2013.

- **Investment policy**

The Trustees have the power to invest in such assets as they see fit. The Charity seeks to maximise its total return from investments. During the year, the Institute has appointed Investment manager for the whole of its portfolio. Following their appointment, the whole portfolio was re-organised and many investments sold for proceeds of £2,315,000 and replaced by different ones. At the end of the year, allowing from some realisations to aid working capital, investments have decreased by some £300,361 (2013 – decrease £316,374).

- **Policy on holding reserves**

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

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

Taking all these matters into account the trustees consider that the present level of unrestricted reserves (£3,463,958 as at 31 March 2014) is adequate. Based on the balance sheet a breakdown to reflect the objectives set out above would be:

Fixed assets and investments, held on a long term basis principally to generate income for the charity	2,744,887
Free reserves, representing a buffer to meet operating costs	<u>715,485</u>
Total reserves	3,460,372

This compares with a cost of £2,954,000 for salaries and overheads incurred in 2013-14.

6. ACHIEVEMENTS & PERFORMANCE

The Institute has maintained its main objectives by continuing to provide high quality research, and timely as well as authoritative contributions to the debates and key issues of the day. The table below shows the levels of activity for publications, events and media during the year compared with prior periods.

	2009-10	2010-11	2011-12	2012-13	2013-14
Research reports, articles, chapters in books	179	119	95	76	176
Conference and seminar presentations	93	69	56	53	67
Appearances on broadcast media	124	279	238	237	128

The number of publications has been higher in the past year due to the type of projects being undertaken and the dissemination activities which have resulted from the research. This is also affected by the research staff in post and their priorities in terms of type of publication.

As in previous years there have been numerous references to the Institute and its work in the press, with press relying on NIESR as a source of neutral analytic rigour in political debates such as that over Scottish independence. The media coverage is a function of projects underway or completed in the year – some of which may have been commissioned some time ago. NIESR's research has made the front page of the Financial Times, and is often quoted within national and local newspapers such as the Guardian, Times, Independent, Telegraph, Daily Mail, and the Scotsman. NIESR has also provided commentary on numerous occasions to the Today Programme, BBC News, Newsnight Scotland, Radio 5 Live, ITV News, Sky News and Channel 4.

NIESR received the most media coverage over the past financial year in April 2013, when a number of policy-relevant reports were released. These reports included NIESR's latest GDP estimates which stated that the UK was no longer in a recession, a research report on the impact of Romanian and Bulgarian migrants, and also work by the Director on welfare reform and changes to the benefit system. The rest of NIESR's media coverage is largely as expected with spikes occurring at times when the *National Institute Economic Review* was published in November and February. With its highly regarded forecasts for the UK and world economies and commentaries on topical issues, it is the most prominent of the organisation's output in terms of coverage.

NIESR also had a significant presence on social media. With the majority of staff now having Twitter accounts, this became an avenue through which NIESR diversified its online presence and the way it engages with the public. Broadened engagement with the public has also occurred through the production of a video on the currency options available to an independent Scotland which has received over 89,000 views.

In addition to this, NIESR gave evidence before the Scottish Affairs Committee in the House of Commons, and presented at the Government Economic Service Conference, the Royal Economic Society, and to all-party parliamentary groups.

NIESR Services Limited

The Charity's wholly-owned trading subsidiary carries out non-charitable trading activities for the Charity and transfers all its taxable profits to the Charity by a deed of covenant. The principal activities of the company are

receiving royalties from the *National Institute Economic Review* and other publications, organising conferences and seminars.

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

7. PLANS FOR THE FUTURE

The Institute aims to continue to carry out high quality economic and social research of relevance to policy makers and the general public at a scale comparable to previous years. As in previous years, income to support the production of this research will be secured from government departments, research councils, charitable foundations, and other research funders, including the private sector. The production of economic forecasts, and the maintenance and development of the Institutes global macro-econometric model, NiGEM, will continue to be financed on a subscription basis.

The Institute's financial position has deteriorated in recent years, as a consequence of difficulties in securing project funding for some staff; this has been exacerbated by weaknesses in financial and project management; although, as set out above, reserves remain adequate. A new Chief Operating Officer has been appointed, who is in the process of introducing a new financial and project management system. The Institute continues to have an excellent reputation in both the academic research and the wider policymaking community, and success rates in securing project funding remain high for most staff as a consequence. However, careful management will be required going forward to ensure that financial performance is improved so as to ensure the long-run financial stability of the Institute.

Key research priorities over the coming years are likely to include assessments of the economic record of the Coalition government on both macroeconomic and microeconomic policy issues and the economic implications of a possible exit of the UK from the European Union. In addition, the Institute is likely to continue its research focus on labour market issues, immigration and productivity. The recruitment of new staff provides an opportunity to develop NiGEM and to increase its subscriber base.

8. PEOPLE

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

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

9. AUDITORS

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

10. STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

Each of the persons who are Trustees as at the time when the Trustees' Report is approved has confirmed that so far as that Trustee is aware, there is no relevant audit information of which the company's auditor is unaware, and that Trustee has taken all the steps that he or she ought to have taken as a Trustee in order to make himself or herself aware of any information needed by the company's auditor in connection with preparing its report and to establish that the company's auditor is aware of that information.

By order of the board

T J Besley
Chairman



Trustees' responsibilities

The Trustees are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company and Charity law requires the Trustees to prepare financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company and charity law the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent charitable company and of the incoming resources and application of resources, including the income and expenditure, of the group and parent charitable company for that period.

In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

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

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

We have audited the financial statements of The National Institute of Economic and Social Research for the year ended 31 March 2014 which comprise the Consolidated Statement of Financial Activities of the group and parent charitable company, the Consolidated and parent charitable company Balance Sheets and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charity's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charity'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 charity and the charity's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditor

As explained more fully in the Statement of Trustees' Responsibilities, the trustees (who are also the directors of the company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and parent charitable company's affairs as at 31 March 2014 and of the groups incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the trustees' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made;

- we have not received all the information and explanations we require for our audit; or
- the trustees were not entitled to take advantage of the exemption from the requirements to prepare a strategic report.

BDO LLP

Richard Faulkner senior Statutory Auditor
for and on behalf of BDO LLP, statutory Auditor
Guildford
United Kingdom
Date: 3/2/14

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

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

	Note	2014			As restated 2013		
		£ Unrestricted	£ Restricted	£ Total	£ Unrestricted	£ Restricted	£ Total
Incoming resources							
Incoming resources from generated funds							
Voluntary income:-							
-Donations		34,000	-	34,000	29,000	-	29,000
Activities to generate funds:-							
-Publications		150,514	-	150,514	147,769	-	147,769
-Misc income		40,263	-	40,263	70,772	-	70,772
Investment Income:-							
-Income from investments		77,162	-	77,162	116,289	-	116,289
-Other interest receivable		200	-	200	440	-	440
Incoming resources from charitable activities							
-Econometric model fees		456,434	-	456,434	405,733	-	405,733
-Fees for research work	2	1,279,675	1,032,312	2,311,987	1,473,448	396,430	1,869,878
Total incoming resources		2,038,248	1,032,312	3,070,560	2,243,451	396,430	2,639,881
Resources expended							
Costs of Generating Funds							
-Fund raising trading – publications		118,097	-	118,097	144,000	-	144,000
Charitable activities	3	2,129,780	1,164,355	3,294,135	2,583,773	468,577	3,052,350
Governance costs	5	63,768	-	63,768	63,872	-	63,872
Total resources expended		2,311,645	1,164,355	3,476,000	2,791,645	468,577	3,260,222
Net incoming resources before other recognised gains		(273,397)	(132,043)	(405,440)	(548,194)	(72,147)	(620,341)
Other recognised gains / (losses)							
Realised gains / (losses)	8	66,086	-	66,086	(11,386)	-	(11,386)
Unrealised gains / (losses)	10	13,041	-	13,041	248,294	-	248,294
Net movements in funds		(194,270)	(132,043)	(326,313)	(311,286)	(72,147)	(383,433)
Balance brought forward at 1 April 2013		3,786,685	-	3,786,685	4,485,319	-	4,485,319
Transfer between funds		(132,043)	132,043	-	(72,147)	72,147	-
Prior year reserve adjustment	19	-	-	-	(315,201)	-	(315,201)
Balance carried forward at 31 March 2014	15	3,460,372	-	3,460,372	3,786,685	-	3,786,685

The surplus for the year for Companies Act purposes comprises net incoming resources for the year less realised losses and was a loss of £339,354 (2013 restated deficit £631,726).

The individual company Statement of Financial Activities (SOFA) has not been prepared but can be determined by deducting the subsidiary company's results as detailed in note 18 from the consolidated statement above. The Charity's incoming resources amounted to £2,920,046 (2013 Restated- £2,492,112) and a deficit of £326,313 (2013 deficit restated - £383,432).

All incoming resources and resources expended derive from continuing activities.

Consolidated and Charity Balance Sheet at 31 March 2014	Note	Group 2014 £	As restated Group 2013 £	Charity 2014 £	As restated Charity 2013 £
Fixed assets					
Tangible assets	9	218,146	217,079	218,146	217,079
Investments	10,17	2,526,741	2,827,102	2,526,743	2,827,104
		2,744,887	3,044,181	2,744,889	3,044,183
Current assets					
Stocks	11	-	8,191	-	-
Debtors – owed by subsidiary undertaking		-	-	-	80,839
Debtors – trade and other debtors	12	1,163,281	1,321,646	1,152,999	1,284,925
Cash at bank and in hand	13	334,729	505,633	310,577	370,400
		1,498,010	1,835,470	1,463,576	1,736,164
Creditors: amounts falling due within one year	14	(782,525)	(1,092,966)	(748,093)	(993,662)
Net current assets		715,485	742,504	715,483	742,502
Total assets less current liabilities		3,460,372	3,786,685	3,460,372	3,786,685
Net assets		3,460,372	3,786,685	3,460,372	3,786,685
Unrestricted funds	15	3,460,372	3,786,685	3,460,372	3,786,685
Restricted Funds	16	-	-	-	-
Total funds		3,460,372	3,786,685	3,460,372	3,786,685

These financial statements were approved and authorised for issue by the Board of Directors on 27/11/14.

These accounts should be read in conjunction with the notes set out on pages 13 to 21.



J Portes
Director

Notes - (forming part of the financial statements)

1 Accounting policies

Basis of preparation

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

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

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

Company status

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

Fund accounting

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

Incoming resources

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

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

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

Resources expended

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to the category.

Where costs cannot be directly attributed to particular headings they have been allocated on a basis consistent with the use of the resources. Staff costs are allocated based on activities including between charitable activities and the cost of generating funds - publications.

Governance costs are those incurred in connection with the strategic as opposed to the day to day management of the charity's activities and include costs of external audit, legal advice for trustees, cost of trustee meetings and preparing statutory accounts..

Support costs have been applied on a directly attributable basis where possible and the residue on a pro-rated income basis.

Costs are attributed to the Restricted Fund on a directly attributable basis where-ever possible or on a revenue appointed basis where this is not feasible.

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

Notes (continued)

1 Accounting policies (continued)

Tangible fixed assets and depreciation

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

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

Freehold land	-	nil
Freehold buildings	-	nil
Improvement to freehold buildings	-	over 10 years
Office equipment	-	over 3 years
Computer equipment	-	over 3 years
Website Development	-	over 4 years

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

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

Investments

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

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

Stock

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

Pension costs

The Charity participates in the Universities Superannuation Scheme, a defined benefit scheme which is externally funded and contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the scheme's assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set. The institution is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 "Retirement benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period. For more detail see Note 19.

Foreign currencies

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

Capital Commitment

NIESR did not have any capital commitments at 31 March 2014.

The National Institute of Economic and Social Research
(A Company limited by Guarantee)
Report and Financial Statements
31 March 2014

2 Fees for Research work

	2014			As restated 2013		
	Unrestricted £	Restricted £	Total £	Unrestricted £	Restricted £	Total £
From European Commission institutions	63,056	46,906	109,962	41,613	35,654	77,267
From Economic and Social Research Council	14,798	677,486	692,284	52,035	252,856	304,891
From Government Departments	560,700	-	560,700	513,978	-	513,978
From Trusts and Foundations	46,981	179,250	226,231	126,247	96,097	222,344
From other sources	594,140	128,670	722,810	739,575	11,823	751,398
	1,279,675	1,032,312	2,311,987	1,473,448	396,430	1,869,878

All research income relates to the Charity.

3 Research including library expenditures

Staff costs	1,295,517	770,330	2,065,847	1,517,024	320,030	1,837,054
Honoraria and fees including pass through money for European commission projects	255,567	39,758	295,325	31,231	15,398	366,294
Travel and subsistence	16,565	17,860	34,425	26,891	4,209	31,100
Books and journals	45,433	-	45,433	31,147	357	31,504
Research materials	7,796	42,353	50,149	328,024	125	8,484
Sundry expenses	51,676	22,182	73,858	48,834	1,752	50,586
Support costs	457,226	271,872	729,098	600,621	126,707	727,328
	2,129,780	1,164,355	3,294,135	2,583,773	468,577	3,052,350

4 Remuneration of Directors & Trustees

Director's emoluments	108,871		108,871	108,150		108,150
Pension contributions	17,419		17,419	17,304		17,304
	126,290	-	126,290	125,454	-	125,454

Number of directors

2014

2013

Retirement benefits are accruing to the following number of directors under:

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

No trustee claimed expenses (2013 - nil) during the year.

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

5 Governance Costs

	2014 £	As restated 2013 £
Support costs	8,954	9,269
Auditors' remuneration – audit services	13,785	10,600
Accountancy costs	40,745	40,745
Other professional services	284	3,258
	63,768	63,872

6 Support Costs

	£	£
Staff costs	523,586	573,589
Premises costs	77,169	75,153
Computing costs	34,750	31,927
Postage	3,496	701
Publicity costs	15,570	10,437
Depreciation	34,162	22,500
Provision for bad debts and finance costs	40,620	35,038
Sundry expenses	58,942	57,102
	788,295	806,447

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

Publications		50,243	69,850
Research activities	Unrestricted	457,226	600,621
	Restricted	271,872	126,707
Governance		8,954	9,269
		788,295	806,447

7 Staff numbers and costs

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

	Number of employees	
	2014	2013
Research	34	31
Library	2	2
Publications	2	2
Administration and general	7	6
	45	41

Full time equivalent staff in year

38 38

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

7 Continued

	2014	2013
	£	£
Wages and salaries	2,085,019	1,934,351
Social security costs	202,924	188,284
Other pension costs	301,490	288,008
	2,589,433	2,410,643

	2014	2013
Staff earning £60,000 - £70,000	2	2
Staff earning £70,000 - £80,000	5	5
Staff earning £80,000 - £90,000	2	3
Staff earning £90,000 - £100,000	2	1
Staff earning £100,000 - £110,000	1	1
Staff earning £110,000 - £120,000	-	-

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

8 Loss on realisation of assets

	2014	2013
	£	£
(Loss) / Gain on sale of fixed assets	-	-
(Loss) / Gain on disposal of investments	66,086	(11,386)
	66,086	(11,386)

9 Tangible fixed assets - Group and Charity

	Freehold property	Improvements to Freehold Property	Computers and office machinery	Website	Total
	£	£	£	£	£
Cost					
At 1 April 2013	167,380	106,567	43,046	21,173	338,166
Additions	-	-	13,904	21,325	35,229
Disposals	-	-	-	-	-
At 31 March 2014	167,380	106,567	56,950	42,498	373,395
Depreciation					
At 1 April 2013	49,000	42,270	26,736	3,081	121,087
Charge for year	-	10,657	13,135	10,370	34,162
On disposals	-	-	-	-	-
At 31 March 2014	49,000	52,927	39,871	13,451	155,249
Net book value					
At 31 March 2014	118,380	53,640	17,079	29,047	218,146
At 31 March 2013	118,380	64,297	16,310	18,092	217,079

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

10 Investments

Balance sheet values - Group

	2014 Cost	2014 Balance sheet value	As restated 2013 Cost	As restated 2013 Balance sheet value
	£	£	£	£
Stock investments	1,939,801	1,962,203	2,148,875	2,419,288
Investment properties	330,524	252,285	330,524	237,386
	2,270,325	2,214,488	2,479,399	2,656,674
Cash held by brokers and Cash bonds	308,391	312,253	160,053	170,428
Total Fixed Asset Investments	2,578,716	2,526,741	2,639,452	2,827,102

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

The National Institute of Economic and Social Research
(A Company limited by Guarantee)
Report and Financial Statements
31 March 2014

Balance sheet values - Charity	2014	2014	As restated	As restated
	Cost	Balance sheet value	2013 Cost	2013 Balance sheet value
Fixed asset investments:	£	£	£	£
Listed on:				
A recognised stock exchange	1,939,801	1,962,203	2,148,875	2,419,288
Unlisted (note 17)	2	2	2	2
	1,939,803	1,962,205	2,148,877	2,419,290
Investment properties	330,524	252,285	330,524	237,386
	2,270,327	2,214,490	2,479,401	2,656,676

Cash held by brokers and Cash bonds	308,391	312,253	160,053	170,428
Total investments	2,578,718	2,526,743	2,639,454	2,827,104

Income from Investments:-		
Listed on:		
- A recognised stock exchange	77,162	116,289
- Bank and Other Interest	200	440
	77,362	116,729

Investment movements:- Group	2014	2014	As restated	As restated
	£	£	£	£
	Cost	Balance sheet value	Cost	Balance sheet value
At beginning of year	2,479,399	2,656,674	3,195,355	3,122,947
Adjustment				(4,561)
Addition of investments	1,793,716	1,793,716		
(Disposals) of investments at carrying value	(2,002,790)	(2,248,943)	(715,956)	(710,006)
Net gain / (loss) on revaluation	-	13,041	-	248,294
At end of year	2,270,325	2,214,488	2,479,399	2,656,674

11 Stock - group

There is no stock (2013: £8,191) included in these figures as the stock has been written down to fnil NBV due to very low sales within the subsidiary undertaking.

12 Debtors

	Group	As restated Group	Charity	As restated Charity
	2014	2013	2014	2013
	£	£	£	£
Trade debtors	656,330	554,735	646,048	535,149
Accrued income	429,435	475,746	429,435	475,747
Other debtors	77,516	291,165	77,516	274,029
	1,163,281	1,321,646	1,152,999	1,284,925

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

	2014	As restated
	£	2013
	£	£
Cash in hand, at bank	334,729	505,633
Cash held by brokers - shown in investments	312,253	170,428
	646,982	676,061

14 Creditors amounts falling due within one year

	Group	As restated Group	Charity	As restated Charity
	2014	2013	2014	2013
	£	£	£	£
Trade creditors	64,998	91,485	56,534	90,309
Accruals	166,348	206,477	124,157	158,424
Costs accrued for project partners	28,716	28,397	28,716	28,397
Other taxation and social security	165,806	179,747	163,925	177,585
Deferred income	356,657	586,860	341,604	538,947
Amounts owed to subsidiary undertaking	-	-	33,157	-
	782,525	1,092,966	748,093	993,662

15 Reconciliation of movement in unrestricted funds

	Group And Charity Funds - 2013 £	Incoming / (Outgoing) resources £	Transfer £	Group and Charity Funds 2014 £
General reserves (Restated)	3,582,066	(273,397)	66,086	3,374,755
Transfer to Restricted fund			(132,043)	(132,043)
Work Experience support fund (designated)	10,000			10,000
Gain on sale of investment	-	66,086	(66,086)	-
Unrealised gains / (losses) on revaluation of assets	194,619	13,041		207,660
	3,786,685	(194,270)	(132,043)	3,460,372

All funds taken to the unrestricted reserves at the year end are available for use at the discretion of the trustees in furtherance of the general
The General reserves represent the free funds of the Charity which are not designated for particular purposes.
The unrealised gains on revaluation of assets are represented by investments.

16 Reconciliation of movement in restricted funds

	Group And Charity Funds - 2013 £	Incoming / (Outgoing) resources £	Transfer £	Group and Charity Funds 2014 £
Restricted funds	-	(132,043)	-	(132,043)
Transfer from Unrestricted Funds	-	-	132,043	132,043
	-	(132,043)	132,043	-

Restricted funds represent profits on restricted grants from funders.

17 Analysis of investments – Group and Charity

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

Name of investment	2014 £	2013 £
Legal and General European Index Trust	-	347,298
Legal and General US Index Trust	-	280,973
Charities Property Fund	252,285	237,386
Barclays Global Investors Charittrak Trust	-	1,013,940
Rensburg Sheppard Ishares GBP Corporate Bonds	-	442,578
Ishares FTSE 100	171,470	-
	423,755	2,322,175

18 Subsidiary Company

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

	2014 £	2013 £
Turnover		
Royalties	150,450	142,842
Sales	64	4,927
	150,514	147,769
Cost of Sales	(65,817)	(63,688)
Gross Profit	84,697	84,081
Distribution and administrative expenses	(513)	(4,516)
	84,184	79,565
Interest receivable	39	71
Net Profit	84,223	79,636
Gift Aid Payable	(84,223)	(79,636)
Transfer to general reserves	-	-
	-	-
The aggregate of the assets, liabilities and funds was:		
Assets	34,432	164,265
Liabilities	(34,430)	(164,263)
	2	2

19 Prior Year Reserves adjustment

In the year to 31 March 2014 the Trustees corrected the errors identified below, which are considered to be fundamental errors of such significance that they require a prior year adjustment.

Research income

For the previous four years research income has been incorrectly accrued and deferred at the year end. As a result the reserves as at 1 April 2012 are reduced by £315,201. At the year ended 31 March 2013 the deferred income is increased by £168,632 and accrued income is reduced by £391,413. The effect is to increase the deficit in the year ended 31 March 2013 by £244,854.

Clarification of research income

In the previous year the classification of research income between restricted and unrestricted was identified as incorrect. Following the adjustment to research income above, the net impact of this is to increase restricted income by £272,502.

Allocation of expenses

In the prior year it was identified that the expenses were not allocated in line with the accounting policy for resources expended and the allocation between restricted and unrestricted for research expenses were not a true reflection of the position that year. The net effect of this is that £344,649 of expenses have been reallocated from unrestricted to restricted within research activities and £27,328 has been reallocated from research activities to publication and governance costs allocated on an income basis.

20 Provisions for Liabilities – Pensions

20.1 Universities Superannuation Scheme: The charity participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate fund administered by the trustee, Universities Superannuation Scheme Limited.

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

The latest triennial actuarial valuation of the scheme was at 31 March 2011. This was the second valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. The actuary also carries out regular reviews of the funding levels. In particular, he carries out a review of the funding level each year between triennial valuations and details of his estimate of the funding level at 31 March 2014 are also included in this note.

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

To calculate the technical provisions, it was assumed that the valuation rate of interest would be 6.1% per annum, salary increases would be 4.4% per annum (with short-term general pay growth at 3.65% per annum and an additional allowance for increases in salaries due to age and promotion reflecting historic scheme experience, with a further cautionary reserve on top for past service liabilities) and pensions would increase by 3.4% per annum for 3 years following the valuation then 2.6% per annum thereafter.

Standard mortality tables were used as follows:

Male members' mortality	SINA ["light"] YoB tables – No age rating
Female members' mortality	SINA ["light"] YoB tables – rated down 1 year

Use of these mortality tables reasonably reflects the actual USS experience but also provides an element of conservatism to allow for further improvements in mortality rates the CMI 2009 projections with a 1.25% pa long term rate were also adopted. The assumed life expectations on retirement at age 65 are:

Males (females) currently aged 65 23.7 (25.6) years

Males (females) currently aged 45 25.5 (27.6) years

At the valuation date, the value of the assets of the scheme was £32,433.5 million and the value of the scheme's technical provisions was £35,343.7 million indicating a shortfall of £2,910.2 million. The assets therefore were sufficient to cover 92% of the benefits which had accrued to members after allowing for expected future increases in earnings.

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

As part of this valuation, the trustee has determined, after consultation with the employers, a recovery plan to pay off the shortfall by 31 March 2021. In 2011 the actuary estimated that if experience remained in line with the assumptions made, the shortfall at 31 March 2014 would be £2.2 billion, equivalent to a funding level of 95%.

However, changes in market conditions between March 2011 and March 2014 have had an impact on scheme funding. The next formal triennial actuarial valuation will take place as at 31 March 2014, and work is currently underway to update the actuarial assumptions and allow for any adjustments to the overall funding approach adopted by the trustee board in consultation with stakeholders.

As work on the 2014 valuation is not yet complete the trustee cannot provide the final figure however, an estimate has been provided using the assumptions used to deliver the 2011 actuarial valuation. On that basis, the actuary has estimated that the funding level under the scheme specific funding regime will have fallen from 92% at 31 March 2011 to 85% at 31 March 2014. This estimate is based on the results from the valuation at 31 March 2011 allowing primarily for investment returns and changes to market conditions.

The funding level has decreased mainly due to a decrease in real gilt yields, reducing the implied net discount rate and therefore placing a higher value on the schemes liabilities. This increase has been partially offset by a higher than expected investment return.

On the FRS17 basis, using an AA bond discount rate of 4.5% per annum based on spot yields, the actuary estimates that the funding level at 31 March 2014 was 75%. An estimate of the funding level measured on a historic gilts basis at that date was approximately 61%.

Surpluses or deficits which arise at future valuations may impact on the institution's future contribution commitment. A deficit may require additional funding in the form of higher contribution requirements, where a surplus could, perhaps, be used to similarly reduce contribution requirements. The sensitivities regarding the principal assumptions used to measure the scheme liabilities on a technical provisions basis as at the date of the last triennial actuarial valuation are set out below:

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

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

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

Following UK government legislation, from 2011 statutory pension increases or revaluations are based on the Consumer Prices Index measure of price inflation. Historically these increases had been based on the Retail Prices Index measure of price inflation. Since the valuation effective date of 31 March 2011 there have been a number of changes to the benefits provided by the scheme although these became effective from October 2011. These include:

New Entrants

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

Normal pension age

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

Flexible Retirement

Flexible retirement options were introduced.

Member contributions increased

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

Cost sharing

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

Pension increase cap

For service derived after 30 September 2011, USS will match increases in official pensions for the first 5%. If official pensions increase by more than 5% then USS will pay half of the difference up to a maximum increase of 10%. USS is a "last man standing" scheme so that in the event of the insolvency of any of the participating employers in USS, the amount of any pension funding shortfall (which cannot otherwise be recovered) in respect of that employer will be spread across the remaining participant employers and reflected in the next actuarial valuation of the scheme.

The trustee's role is to set risk and return parameters which reflect the strength of the sponsoring employers and the nature of the scheme's liabilities. These parameters, taken together with the anticipated returns form the basis of the trustee's funding strategy. These parameters are informed by advice from its internal investment team, its investment consultant and the scheme actuary, as well as an independent assessment of the support available from the sponsoring employers. The trustee remains confident that it can continue to take a long-term view of scheme funding, backed as it is by a robust Higher Education (HE) sector.

The fund is invested in a wide range of asset classes, both publicly traded (including equities and fixed income) and private (including private equity, infrastructure, property and timberland). A diversified portfolio helps to spread investment risk across different asset classes and to boost the level of confidence in maintaining sufficient investment returns from the fund as a whole. This investment approach is innovative and responsible, and targeted at achieving returns required to meet the scheme's liabilities. Recently, the trustee has invested directly in infrastructure assets. These investments are typically illiquid, but can achieve attractive inflation-linked returns in ways often not available in the publicly traded markets and which can match the scheme's liabilities to a high degree.

At 31 March 2014, USS had over 162,000 active members and the charity had 28 active members participating in the scheme. The total pension cost for the charity was £218,590 (2013: £224,943). The contribution rate payable by the charity was 16% of pensionable salaries.

20.2 Other Personal Pension Plans: Contributions are calculated on pensionable salary and are payable to Personal Pension Plans entered into by employees who have opted for that choice. Sums paid into these schemes amounted to £66,910 (2012: £67,286).

20.3 Former Scheme: An amount of £3,868 (2013: £7,737) is held to meet the contractual obligations, based on a prudent appraisal by the trustees. A total of £3,869 was paid out in the year.