

**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 2015**

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## Reference and administrative information

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

Professor TJ Besley~+(Chairman)

N C F Barber~+±

Professor C Bean^+(President)

Sir A Budd±

D Coyle

B Curtis+

Professor J Ermisch°

F Field

Professor J Hills<sup>1</sup>

Baroness S Hogg<sup>2</sup>

Professor H Joshi<sup>1</sup>

P Kellner

J Llewellyn+

H McRae<sup>3</sup>

J Norman

Lord M Oakeshott<sup>1</sup>

J Portes<sup>3</sup>

Professor L Unwin<sup>2^</sup>

° Member of Audit Committee

~ Member of Ethics Committee

^ Member of Remuneration Committee

+ Member of Steering Committee

± Member of Investment Committee

<sup>1</sup>Resigned 27<sup>th</sup> November 2014

<sup>2</sup>Appointed 27<sup>th</sup> November 2014

<sup>3</sup>Resigned 5<sup>th</sup> October 2015

### Interim Chief Executive/ Director (Appointed 5 October 2015)

Dame F Cairncross +^

### 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, 31 Chertsey Street, Guildford, Surrey GU1 4HD

### 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 2015. 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 2015 was 15
- 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. She 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.
- The Institute has several sub committees. The Audit Committee is made up of Trustees with appropriate experience and is chaired by John Ermisch. It operates 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 Lorna Unwin (John Hills resigned 27<sup>th</sup> November 2014), was established to consider the pay of senior staff. The Investment Committee is responsible for managing all the invested assets held by the Institute. Paying due regard to investment risks, the Investment Committee seeks to manage the Institute's portfolio of investments with a view to maximising its total return in real terms, that is, the income generated by, and the capital growth of, the Institute's portfolio within parameters set by the Council of Management. Each committee has its decisions ratified by the board.
- The Steering Group of Trustees 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, John Llewellyn, the Director, the Chief Operating Officer and Company Secretary and the staff representative (currently Simon Kirby)
- 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 (resigned 27<sup>th</sup> November 2014). Professor Joshi was replaced in May 2015 by Professor TJ Besley (Chairman), who like Professor Joshi, is considered an expert in this sphere due to his extensive academic experience. The committee 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, in December 2014 the Institute commissioned, the design and implementation of a completely new IT infrastructure and support arrangements, which included modern IT and IT security policies.

### 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](http://www.niesr.ac.uk). It also provides indicators on the state of the economy which are free to download. The website also contains videos of seminars and press conferences which are open access.

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

During 2011 NIESR received a legacy of £10,000 from a former Secretary, Mrs Kit Jones. We are liaising with the London Borough of Barking and Dagenham to use the money to provide an annual paid work placement for a sixth form student. 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 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 12) shows a shortfall in incoming resources before other recognised gains of £359,447 (2014: £405,440) arising from gross income of £1,838,458 on the unrestricted fund (2014: £2,038,248) and £991,268 on the restricted fund (2014: £1,032,312)

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

	2010-11	2011-12	2012-13	2013-14	2014-15
Donations	29,000	46,000	29,000	34,000	16,551
Publications	152,116	160,624	147,769	150,514	137,811
Economic model Fees	348,240	411,550	405,733	456,434	483,860
Misc Income	49,875	17,424	70,772	40,263	61,614
Fees for Research Work	2,104,808	2,021,620	1,869,878	2,311,987	2,052,500
Investment Income	128,272	111,589	116,729	77,362	77,390
	<b>2,812,311</b>	<b>2,768,807</b>	<b>2,639,881</b>	<b>3,070,560</b>	<b>2,829,726</b>

Total expenditure decreased by £286,827 to £3,189,173 during the year. Generally, research expenditure fluctuates in line with research income. The decrease in expenditure was also due to additional savings on staffing costs. As shown in 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 2014-15.

The balance sheet shows a decrease in unrestricted funds of £206,608 to £3,253,764 or 6 per cent of the figure for 2014 of £3,460,372.

- **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. The Institute uses Investec as investment manager for the whole of its portfolio. At the end of the year, investments have increased in value by some £132,214 (2014: decrease £300,361)

- **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 (£3,253,764 as at 31 March 2015) 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	2,906,079
Free reserves, representing a buffer to meet operating costs	347,685
Total reserves	3,253,764

This compares with a cost of £2,525,000 for salaries and overheads incurred in 2014-15 (£2,589,433 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 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

	2010-11	2011-12	2012-13	2013-14	2014-15
Research reports, articles, chapters in books	119	95	76	176	118
Conference and seminar presentations	69	56	53	67	61
Appearances on broadcast media	279	238	237	128	154

The number of publications in the past year is lower than last year, but in line with our average amount of output. It depends on factors such as the type of projects being undertaken, the dissemination activities which have resulted from the research, and also by research staff in post and their priorities in terms of type of publication. A comprehensive archive of the Institute's publications has also been created, with over 200 NIESR publications from its earlier years now available on the NIESR website.

As in previous years there have been numerous references to the Institute in the press, with press relying on NIESR as a source of neutral analytic rigour in political debates such as that over Scottish independence and during the election. The media coverage is a function of projects underway or completed in the year, or at other times reflects general expertise that we have in an area, as can be seen on issues such as macroeconomics, migration, labour markets and employment.

NIESR was mentioned 2377 times in national and local newspapers this year. These include reports within The Guardian, Telegraph, Daily Mail, Financial Times, and The Scotsman. Staff also provided commentary on numerous occasions through appearing on BBC News, Radio 5 Live, ITV News, Channel 5, Sky News, CNN, Al-Jazeera, CNBC, BBC Breakfast show and BBC Radio Scotland. Jonathan Portes also hosted a BBC Radio 4 Analysis show on welfare reform in October.

NIESR received the most media coverage during this year in late August and early September 2014 - the period prior to the referendum on Scottish independence when a number of policy relevant reports were released. These reports included analysis on Scotland's lender of last resort options, and what devolution could look like. The rest of NIESR's media coverage is largely as expected with spikes occurring when the National Institute Economic Review was published in May and February. With its highly regarded forecast 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.

The Institute has also had a significant presence on social media. The majority of staff now have Twitter accounts, and Twitter has become an important avenue through which the Institute disseminates research and engages with the public. There were renewed efforts to increase our presence on Twitter this year, and the NIESR Twitter account increased its following by 57% during this period.

Blogs are also a growing form of dissemination, used to summarise new research and respond to key issues of the day, and attracting many visitors to our website. The NIESR website was viewed over 400,000 times this year. NIESR staff also published blogs on LSE Politics, Pieria and The Conversation.

In addition to many conferences and seminars, NIESR gave evidence before the Scottish Affairs Committee in the House of Commons and committees in the Scottish Parliament, and presented at the Royal Economic Society.



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. 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 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. 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 financial and project management system has been introduced; this has improved performance, particularly in relation to cash flow management. However, it remains extremely challenging to fund the full costs (both staff and associated costs, and the Institute's administrative overheads) of the "public good" type research in which the Institute specialises. These challenges are likely to be exacerbated over the next few years by reductions in public funding (both from government departments and the Research Councils).

8. As a consequence, NIESR is likely to need to adapt its business model to ensure the long-run financial stability of the Institute. This may require both changes to staff pay and conditions, and increased focus of NIESR's work in areas that are likely to be able to attract significant research funding. Key research priorities are likely to be the economic implications of a possible exit of the UK from the European Union, and other constitutional issues: the "productivity puzzle", the UK financial system, especially housing finance; and education and labour market issues. In addition, the Institute will look at commercial opportunities relating to the further development of NiGEM.

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

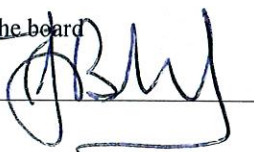
A resolution to re-appoint BDO (UK) LLP as auditors of the charity will be put to the Annual General Meeting in November 2015

## 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



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## 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 2015 which comprise the Consolidated Statement of Financial Activities incorporating the Group Summary Income and Expenditure Account, the Group 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](http://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 2015 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:

- the parent charitable company has not kept adequate accounting records, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent charitable company 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 take advantage of the exemption from the requirements to prepare a strategic report.

**Richard Faulkner** senior Statutory Auditor  
for and on behalf of BDO LLP, statutory Auditor  
Guildford  
United Kingdom  
Date:

BDO LLP

3/12/15

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

# National Institute of Economic and Social Research

Consolidated Report and Financial Statements 31 March 2015

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

Note	2015			2014		
	£	£	£	£	£	£
	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
<b>Incoming resources</b>						
<b>Incoming resources from generated funds</b>						
<b>Voluntary income:-</b>						
-Donations	16,551		16,551	34,000		34,000
<b>Activities to generate funds:-</b>						
-Publications	137,811		137,811	150,514		150,514
-Misc income	61,614		61,614	40,263		40,263
<b>Investment Income:-</b>						
-Income from investments	77,381		77,381	77,162		77,162
-Other interest receivable	9		9	200		200
<b>Incoming resources from charitable activities</b>						
-Econometric model fees	483,860		483,860	456,434		456,434
-Fees for research work	2 1,061,232	991,268	2,052,500	1,279,675	1,032,312	2,311,987
<b>Total incoming resources</b>	<b>1,838,458</b>	<b>991,268</b>	<b>2,829,726</b>	<b>2,038,248</b>	<b>1,032,312</b>	<b>3,070,560</b>
<b>Resources expended</b>						
<b>Costs of Generating Funds</b>						
-Fund raising trading – publications	180,906		180,906	118,097		118,097
Charitable activities	3 1,618,987	1,381,287	3,000,275	2,129,780	1,164,355	3,294,135
Governance costs	5 7,992		7,992	63,768		63,768
<b>Total resources expended</b>	<b>1,807,885</b>	<b>1,381,287</b>	<b>3,189,173</b>	<b>2,311,645</b>	<b>1,164,355</b>	<b>3,476,000</b>
<b>Net incoming resources before other recognised gains</b>						
	30,573	(390,020)	(359,447)	(273,397)	(132,043)	(405,440)
<b>Other recognised gains / (losses)</b>						
Realised gains	8 25,763		25,763	66,086		66,086
Unrealised gains / (losses)	10 127,076		127,076	13,041		13,041
<b>Net movements in funds</b>						
	183,412	(390,020)	(206,608)	(194,270)	(132,043)	(326,313)
Balance brought forward at 1 April 2014	3,460,372		3,460,372	3,786,685	-	3,786,685
Transfer Between Funds	15 (390,020)	390,020	-	(132,043)	132,043	-
<b>Balance carried forward at 31 March 2015</b>	<b>3,253,764</b>	<b>-</b>	<b>3,253,764</b>	<b>3,460,372</b>	<b>-</b>	<b>3,460,372</b>

The individual company Statement of Financial Activities (SOFA) has not been prepared but can be determined by deducting the subsidiary company's results (as detailed in note 17) from the consolidated statement above. The Charity's incoming resources amounted to £2,691,915 (2014 - £2,920,046) and a deficit of £268,764 (2014 deficit - £411,563)

# National Institute of Economic and Social Research

Consolidated Report and Financial Statements 31 March 2015

Company number 391010

## Consolidated and Charity Balance Sheet at 31 March 2015

	Note	Group 2015 £	Group 2014 £	Charity 2015 £	Charity 2014 £
<b>Fixed assets</b>					
Tangible assets	9	247,122	218,146	247,122	218,146
Investments	10,16	2,658,957	2,526,743	2,658,955	2,526,741
		2,906,079	2,744,887	2,906,077	2,744,889
<b>Current assets</b>					
Debtors – trade and other debtors	11	816,826	1,163,281	794,603	1,152,999
Cash at bank and in hand	12	552,315	334,729	547,386	310,577
		1,369,141	1,498,010	1,341,989	1,463,576
Creditors: amounts falling due within one year	13	(1,021,456)	(782,525)	(994,304)	(748,093)
Net current assets		347,685	715,485	347,685	715,483
Total assets less current liabilities		3,253,764	3,460,372	3,253,762	3,460,372
<b>Net assets</b>		<b>3,253,764</b>	<b>3,460,372</b>	<b>3,253,762</b>	<b>3,460,372</b>
Unrestricted funds	14	3,253,764	3,460,372	3,253,762	3,460,372
Restricted Funds	15	-	-	-	-
<b>Total funds</b>		<b>3,253,764</b>	<b>3,460,372</b>	<b>3,253,762</b>	<b>3,460,372</b>

These financial statements were approved and authorised for issue by the Board of Directors on 19/11/2015.

These accounts should be read in conjunction with the notes set out on pages 14 to 23



Frances Cairncross  
Interim 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 support costs.

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 allocated to 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
IT Upgrade	-	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.

***Pension costs***

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

***Foreign currencies***

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

***Capital Commitment***

NIESR did not have any capital commitments at 31 March 2015

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## 2 Fees for Research work

	2015			2014		
	Unrestricted £	Restricted £	Total £	Unrestricted £	Restricted £	Total £
European Commission institutions Economic and Social Research Council	762	149,227	149,989	63,056	46,906	109,962
Government Departments	758,238	-	758,238	560,700	-	560,700
Trusts and Foundations	5,840	349,743	355,583	46,981	179,250	226,231
Other Sources	296,392	-	296,392	594,140	128,670	722,810
	<b>1,061,232</b>	<b>991,268</b>	<b>2,052,500</b>	<b>1,279,675</b>	<b>1,032,312</b>	<b>2,311,987</b>

## 3 Charitable Activities

Staff costs	1,023,791	945,037	1,968,828	1,295,517	770,330	2,065,847
Honoraria and fees including pass through money for European commission projects	51,042	84,480	135,522	255,567	39,758	295,325
Travel and subsistence	21,486	33,195	54,681	16,565	17,860	34,425
Books and journals	1,246	1,150	2,396	45,433	-	45,433
Research materials	38,051	10,154	48,205	7,796	42,353	50,149
Sundry expenses	8,589	2,671	11,259	51,676	22,182	73,858
Support costs	474,783	304,600	779,383	457,226	271,872	729,098
	<b>1,618,987</b>	<b>1,381,287</b>	<b>3,000,275</b>	<b>2,129,780</b>	<b>1,164,355</b>	<b>3,294,135</b>

## 4 Remuneration of Directors & Trustees

Director's emoluments	109,236		109,236	108,871		108,871
Pension contributions	17,478		17,478	17,419		17,419
	<b>126,714</b>	<b>-</b>	<b>126,714</b>	<b>126,290</b>	<b>-</b>	<b>126,290</b>

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

- Defined benefit schemes

Number of directors  
2015                      2014

1

1

£19 was paid in trustee expenses during the year (2014- nil)

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



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## 5 Governance Costs

	2015 £	2014 £
Support costs	14,670	8,954
Auditors' remuneration – audit services	12,650	13,785
Compensation payments - Audit	(20,100)	-
- non audit services	930	-
Accountancy costs	14,841	40,745
Compensation payments - Accountancy	(15,000)	-
Other professional services	-	284
	7,992	63,769

## 6 Support Costs

	£	£
Staff costs	556,172	523,586
Premises costs	91,179	77,169
Computing costs	51,853	34,750
Postage	10,111	3,496
Publicity costs	-	15,570
Depreciation	38,688	34,162
Provision for bad debts and finance costs	53,105	40,620
Sundry expenses	87,027	58,942
Other professional services	11,169	-
	899,304	788,295

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

		2015	2014		
Publications				105,251	50,243
Research activities	Unrestricted	474,783	457,226		
	Restricted	304,600	271,872		
				779,383	729,098
Governance				14,670	8,954
				899,304	788,295

## 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	
	2015	2014
Research	34	34
Library	1	2
Publications	-	2
Administration and general	6	7
	41	45
Full time equivalent staff in year	36	38

In addition two 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:

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	2015	2014
	£	£
Wages and salaries	2,040,270	2,085,019
Social security costs	193,537	202,924
Other pension costs	291,193	301,490
	2,525,000	2,589,433

Included in Wages and salaries above are termination payments of £65,260 paid in year

## 7 Staff numbers and costs (contd)

	2015	2014
Staff earning £60,000 - £70,000	2	2
Staff earning £70,000 - £80,000	3	5
Staff earning £80,000 - £90,000	3	2
Staff earning £90,000 - £100,000	2	2
Staff earning £100,000 - £110,000	1	1

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

## 8 Loss on realisation of assets

	2015	2014
	£	£
(Loss) / Gain on disposal of investments	25,763	66,086
	25,763	66,086

## 9 Tangible fixed assets - Group and Charity

	Freehold property	Improvements F/H Property	Computers and office machinery	Website	IT Upgrade	Total
Cost	£	£	£	£	£	£
At 1 April 2014	167,380	106,567	56,950	42,498	-	373,395
Additions	-	1,548	18,332	-	47,681	67,561
At 31 March 2015	167,380	108,115	75,282	42,498	47,681	440,956
Depreciation						
At 1 April 2014	49,000	52,925	39,871	13,451	-	155,247
Charge for year	-	10,760	11,518	10,624	5,683	38,585
At 31 March 2015	49,000	63,685	51,389	24,075	5,683	193,832
Net book value						
At 31 March 2015	118,380	44,428	23,893	18,423	41,998	247,122
At 31 March 2014	118,380	53,640	17,079	29,047	-	218,146

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.

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**10 Investments**  
**Balance Sheet Values - Group**

	2015 Cost £	2015 Balance sheet value £	2014 Cost £	2014 Balance sheet value £
Stock Investments	2,565,875	2,634,182	2,270,325	2,214,488
Current asset investments: Cash held by brokers and Cash bonds	20,637	24,773	308,391	312,253
<b>Total Fixed Asset Investments</b>	<b>2,586,512</b>	<b>2,658,955</b>	<b>2,578,716</b>	<b>2,526,741</b>

**Balance sheet values - Charity**

	2015 Cost £	2015 Balance sheet value £	2014 Cost £	2014 Balance sheet value £
Fixed asset investments: Listed on: London stock exchange Unlisted (note 17)	2,565,875 2	2,634,182 2	2,270,325 2	2,214,488 2
	2,565,877	2,634,184	2,270,327	2,214,490
<b>Total investments</b> Cash held by brokers and Cash bonds	<b>20,637</b>	<b>24,773</b>	<b>308,391</b>	<b>312,253</b>
	<b>2,586,514</b>	<b>2,658,957</b>	<b>2,578,718</b>	<b>2,526,743</b>

**Income from Investments:-**

Listed on:				
- London stock exchange		76,774		77,162
- Bank and Other Interest		672		200
		<b>77,446</b>		<b>77,362</b>

**Investment movements:- Group**

	2015 £ Cost	2015 £ Balance sheet value	2014 £ Cost	2014 £ Balance sheet value
At beginning of year	2,270,325	2,214,488	2,479,399	2,656,674
Addition of Investments	720,958	720,958	1,793,716	1,793,716
Disposals of Investments at Carrying Value	(425,408)	(428,340)	(2,002,790)	(2,248,943)
Net gain / (loss) on revaluation	-	127,076	-	13,041
At end of year	<b>2,565,875</b>	<b>2,634,182</b>	<b>2,270,325</b>	<b>2,214,488</b>

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11 Debtors	Group 2015 £	Group 2014 £	Charity 2015 £	Charity 2014 £
Trade debtors	445,696	656,330	445,696	646,048
Grants	324,984	429,435	302,761	429,435
Other debtors	46,146	77,516	46,146	77,516
	<b>816,826</b>	<b>1,163,281</b>	<b>794,603</b>	<b>1,152,999</b>

12 Analysis of balances of cash as shown in the balance sheet – group	2015 £	2014 £
Cash in hand, at bank	552,315	334,729
Cash held by brokers - shown in investments	24,773	312,253
	<b>577,088</b>	<b>646,982</b>

13 Creditors amounts falling due within one year	Group 2015 £	Group 2014 £	Charity 2015 £	Charity 2014 £
Trade creditors	32,827	64,998	32,342	56,534
Accruals	133,373	195,064	91,734	152,873
Other taxation and social security	147,116	165,806	147,116	163,925
Deferred income	708,138	356,657	640,638	341,604
Amounts owed to subsidiary undertaking	2	-	82,473	33,157
	<b>1,021,456</b>	<b>782,525</b>	<b>994,304</b>	<b>748,093</b>

#### 14 Reconciliation of movement in unrestricted funds

	Group And Charity Funds - 2014 £	Incoming / (Outgoing) resources £	Transfer £	Group and Charity Funds 2015 £
General reserves	3,374,755	30,573	-	3,405,328
Transfer to Restricted fund	(132,043)	-	(390,020)	(522,063)
Work Experience support fund (designated)	10,000	-	-	10,000
Gain on sale of investment	-	25,763	-	25,763
Unrealised gains / (losses) on revaluation of assets	207,660	127,076	-	334,736
	<b>3,460,372</b>	<b>183,412</b>	<b>(390,020)</b>	<b>3,253,764</b>

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 objectives of the Charity.

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.

#### 15 Reconciliation of movement in restricted funds

	Group And Charity Funds - 2014 £	Incoming / (Outgoing) resources £	Transfer £	Group and Charity Funds 2015 £
Restricted funds	(132,043)	(390,020)	-	(522,063)
Transfer from Unrestricted Funds	132,043	-	390,020	522,063
	<b>-</b>	<b>(390,020)</b>	<b>390,020</b>	<b>-</b>

Restricted funds represent profits on restricted grants from funders.

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## 16 Analysis of investments – Group and Charity

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

Name of investment	2015 £	2014 £
Charities Property Fund	222,385	252,285
Ishares FTSE 100	167,844	171,470
JP Morgan Am UK Ltd US Equity Inc	142,875	-
	533,104	423,755

## 17 Subsidiary Company

Turnover	2015 £	2014 £
Royalties	137,811	150,450
Sales	-	64
	137,811	150,514
Cost of Sales	(75,655)	(65,817)
Gross Profit	62,156	84,697
Distribution and administrative expenses	(844)	(513)
Interest receivable	61,312	84,184
Net Profit	9	39
Gift Aid Payable 14/15	61,321	84,223
Transfer to general reserves	(61,321)	(84,223)
	-	-

The aggregate of the assets, liabilities and funds was:

Assets	109,625	34,432
Liabilities	(109,623)	(34,430)
	2	2

## 18 Provisions for Liabilities – Pensions

### *Universities Superannuation Scheme:*

#### Principal accounting policies

The institution 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 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.

Notes to the accounts**Contingent Liabilities and Assets**

A contingent liability exists in relation to the pension valuation recovery plan, since the company is an employer of members within the scheme. The contingent liability relates to the amount generated by past service of current members and the associated proportion of the deficit. Given that the scheme is a multi-employer scheme and the company is unable to identify its share of the underlying assets and liabilities, the contingent liability is not recognized as a provision on the balance sheet. The associated receivable from the scheme in respect of the reimbursement of the company's expenditure is similarly not recognized.

**Pension Costs**

The company 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 company is required to contribute a specified percentage of payroll costs to the pension scheme to fund the benefits payable to the company's employees. In 2015, the percentage was 16% (2014: 16%). The company 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.

The total cost charged to the profit and loss account is £235,242 (2014:£230,711).The disclosures below represent the position from the scheme's financial statements.

The latest available triennial actuarial valuation of the scheme was at 31 March 2014 ("the valuation date"), which was carried out using the projected unit method. The 2014 valuation is not yet finalized and is under consultation in order to agree a recovery plan which will include a reduction in future benefits and an increase in employer contributions. It is expected that employer contributions will increase to 18% from 1 April 2016.

The 2014 valuation was the third 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. At the valuation date, the value of the assets of the scheme was 41.6 billion and the value of the scheme's technical provisions was £46.9 billion indicating a shortfall of £5.3 billion. The assets therefore were sufficient to cover 89% of the benefits which had accrued to members after allowing for expected future increases in earnings.

As the 2014 valuation has recently been finalized and the audit is in process, the latest available audited triennial actuarial valuation of the scheme is as at 31 March 2011.

At 31 March 2011 the value of the assets of the scheme was £32.4 billion and the value of the scheme's technical provisions was £35.3 billion indicating a shortfall of £2.9 billion. The assets therefore were sufficient to cover 92% of the benefits which had accrued to members after allowing for expected future increases in earnings.

FRS 17 liability numbers have been produced for the using the following assumptions:

	2015	2014
Discount rate	3.3%	4.5%
Pensionable salary growth	3.5% in the first year and 4.0% thereafter	4.4%
Price inflation (CPI)	2.2%	2.6%

The main demographic assumption used relates to the mortality assumptions. Mortality in retirement is assumed to be in line with the Continuous Mortality Investigation's (CMI) S1NA tables as follows:

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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. To allow for further improvements in mortality rates the CMI 2009 projections with a 1.25% pa long term rate were also adopted for the 2014 FRS17 figures, for the March 2015 figures the long term rate has been increased to 1.5% and the CMI 2014 projections adopted, and the tables have been weighted by 98% for males and 99% for females. The current life expectancies on retirement at age 65 are:

	2015	2014
Males currently aged 65 (years)	24.2	23.7
Females currently aged 65 (years)	26.3	25.6
Males currently aged 45 (years)	26.2	25.5
Females currently aged 45 (years)	28.6	27.6

	2015	2014
<b>Existing benefits</b>		
Scheme assets	£49.0bn	£41.6bn
FRS 17 liabilities	£67.6bn	£55.5bn
FRS 17 deficit	£18.6bn	£13.9bn
FRS 17 funding level	72%	75%

At 31 March 2015, the charity had 30 (2014:28) active members participating in the scheme. The total pension cost for the charity was £241,744 (2014: £218,590). The contribution rate payable by the charity was 16% of pensionable salaries.

**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 £49,744 (2014: £66,910).

**Former Scheme:** An amount of £3,868 (2014: £3,869) was held to meet the contractual obligations, based on a prudent appraisal by the trustees. A total of £3,868 was paid out in the year.

