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 2017

Contents

REFERENCE AND ADMINISTRATIVE INFORMATION

Chief Executive/ Director
Professor Jagjit Chadha (*appointed 1 May 2016*)

Interim Chief Executive/ Director
Dame Frances Cairncross DBE (*appointed 5 October 2015, resigned 30 April 2016*)

Chief Operating Officer and Company Secretary
Maureen Cole-Burns (*resigned 23 March 2017*)
Chivonne Preston (*appointed 15 May 2017*)

Registered Office & Principal Place of Business
2 Dean Trench Street, Smith Square, London, SW1P 3HE

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

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

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

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

Country of Incorporation
United Kingdom

Country of Registration
England and Wales

TRUSTEES' REPORT

The Trustees, who are also directors of the Charity, are pleased to present their annual Trustees' report together with the consolidated financial statements of the charity and its subsidiary for the year ended 31 March 2017 which are also prepared to meet the requirements for a directors' report and accounts for Companies Act purposes.

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

OBJECTIVES AND ACTIVITIES

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

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

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

- The pursuit and delivery of a wide variety of research projects on topics of contemporary interest both to policy makers and academic audiences.
- The development and distribution of the National Institute's Global Econometric Model ("NiGEM") which contributes to our understanding of the working of the economy and thus to the economic and social infrastructure. User licences are sold to a variety of organisations including central banks, private sector financial organisations, HM Treasury and the Bank of England, also providing revenue to support our charitable objectives.
- The publication of the National Institute Economic Review through the Institute's subsidiary company, NIESR Services Ltd. This includes quarterly global economic forecasts as well as a number of research articles, and generates income from its worldwide subscription base.
- Engagement in relevant policy debates from a position of independent expertise.

The Institute carries out these activities by:

- Maintaining access to a variety of high-calibre research staff with suitable experience and expertise.
- Understanding the policy agenda, identifying the key stakeholders and being aware of other influential factors.
- Delivering high quality services and products, and committing to the continual improvement of what we do.
- Developing and maintaining relationships with our research funders, commissioning bodies, model subscribers, potential clients as well as with owners and commissioners of relevant data sets.
- Generating sufficient income from research funding and other income to finance the Institute's operations and long term development.

- Disseminating our research findings via a range of media channels, including both traditional publications and broadcast media as well as via the internet and social media to reach as wide a domestic and international audience as possible.
- Encouraging staff involvement in academic activities such as refereeing for journals and serving public bodies nationally and internationally, examining PhDs, as well as contributing to activities of Government and the political process in an expert capacity.

PUBLIC BENEFIT

The Trustees confirm that they have referred to the Charity Commission's guidance on public benefit when reviewing the Institute's aims and objectives and when planning future activities.

The purpose of the Institute is to carry out high-quality economic and social research of relevance to households, business and policy makers. Research funding obtained enables the Institute 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. In order to serve the public benefit we aim to maintain a high reputation for our research in both academic and policy communities. We also focus on widely disseminating our outputs to facilitate maximum impact, which includes:

- Holding regular seminars open to staff and external attendees. These are advertised on our website, and are usually open to all.
- Ensuring copies of our published research reports and discussion papers are put in the public domain via our website at www.niesr.ac.uk. We also provide 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.
- Encouraging research staff to write articles for newspapers, to comment on current issues, and to provide expert opinion on issues of public interest, including giving evidence to parliamentary select committees and to meet with other policy makers as appropriate.
- Maintaining an up to date web and social media presences, commenting on current affairs, promoting our work, directing the public to our website and widening the reach of our social networks.
- Building and strengthening our relationships with the press in order to maximise the opportunities for the work of the Institute to be cited and promoted via written and broadcast media.
- Visiting schools and universities to share our work and advocate for the relevance of economic and social research to the next generation.
- Providing research staff for interview practice at various academic institutions.

In addition, the Institute's global econometric model is licenced annually to many European Central Banks and international organisations. The model's use within these organisations helps to widen the influence of the Institute's research and allows our expertise to influence policy decisions not only in the UK but worldwide.

Furthermore, the Institute provided a two-week annual paid work placement for a sixth form student from the London Borough of Barking and Dagenham. This is funded from a legacy of £10,000 received in 2011 from a former Secretary, Mrs Kit Jones which is being treated as a designated fund in the attached accounts.

ACHIEVEMENTS & PERFORMANCE

In order to ensure the ongoing delivery of the Institute's aims and to plan for the longer term sustainability of the Institute, Trustees have undertaken a strategic review of activities and approach. This financial year has seen the launch of a radical recovery programme aimed at restoring operational and financial strength to the Institute which has included detailed review of the Institute's governance, strategy, management and operations. The Institute's business model has been revised to aim to end the financial deficits of recent years and deliver a sound financial platform for the longer term.

This year has therefore been a transition year where the new Director, Professor Jagjit Chadha, who was appointed on 1 May 2016, has in particular focussed the Institute on the following priorities during the period:

- Securing recurrent research income related to high quality ongoing projects centred on areas of academic expertise, and delivering excellent research for projects won.
- Maximising the Institute's impact by raising the profile of the Institute as the independent expert on matters of economic and social policy and attracting the engagement of relevant stakeholders.

Research

Trustees were delighted that the Institute led and won a consortium bid to deliver the Office for National Statistics' Economic Statistics Centre of Excellence (ESCoE), working with NESTA, Warwick Business School, the University of Cambridge, King's College London and Strathclyde Business School. The focus of the ESCoE is to provide analysis of emerging and future issues in measuring the modern economy and providing a platform for constructive discussion and dialogue around official statistics, in response to the Independent Review of UK Economic Statistics published by Professor Sir Charles Bean in March 2016. The core research programme consists of thirteen projects in three broad areas: National Accounts and Beyond GDP, Productivity and the Modern Economy, and Regional and Labour Market Statistics. Based at NIESR in Westminster, the ESCoE was launched in January 2017 as a four year programme. Significant work to set up the ESCoE has taken place and research work has now begun.

During the period the Institute also bid successfully for the 'Rebuilding Macroeconomics' Network, an initiative funded by the Economic and Social Research Council, aimed at rethinking and transforming the study of macroeconomics to re-establish its usefulness to policy makers and, critically, the public. Using an interdisciplinary approach, the Network will fund creative and innovative research projects and engage directly with the public in order to transform macroeconomics back into a policy relevant social science. The Institute won the bid to deliver this project over four years beginning May 2017.

The winning of these centres not only secures recurrent research income for high quality projects related to the Institute's areas of academic expertise, but it also strengthens and broadens the Institute's relationships with high-quality researchers and academics from other organisations, with the aim of centring, hosting and co-ordinating the national debate at the Institute.

In this financial period, profound questions have been raised about the UK's future relationship with Europe. In order to bring expert analysis of the issues to the public domain, the Institute has published many reports and articles relating to the referendum and the subsequent decision to leave the European Union (EU). In particular, relating to issues such as fiscal policy, migration, employment and trade. Reports published during the period include:

- 'The Economic Impact of Brexit-induced Reductions in Migration'
- 'Employers' responses to Brexit: The perspective of employers in low skilled sectors'
- 'The EU Referendum and Fiscal Impact on Low Income Households'

- 'The Impact of Possible Migration Scenarios after Brexit on the State Pension System'
- 'The Impact of Free Movement on the Labour Market: Case Studies of Hospitality, Food Processing and Construction'

And articles published in the National Institute Economic Review included:

- 'The Long-term Economic Impact of Leaving the EU'
- 'The Long-term Macroeconomic Effects of Lower Migration to the UK'
- 'Assessing the Impact of Trade Agreements on Trade'
- 'Immigration after Brexit'
- 'Hard or Soft? The Politics of Brexit'
- 'Negotiating the UK's post-Brexit trade arrangements'
- 'The Referendum Blues: Shocking the System'
- 'Free Movement of Services, Migration and Leaving the EU'
- 'The EU Budget and UK Contribution'
- 'EU Membership, Financial Services and Stability'
- 'The Economic Consequences of Leaving the EU'

As Brexit negotiations gather pace, the Institute is well positioned to continue to deliver independent analysis of the issues and commentary for both policy-makers and the public.

Additionally, as in prior periods, during the year our researchers published a number of influential reports, including:

- 'The Final Synthesis Report for the National Evaluation of the Troubled Families Programme', on behalf of the Department for Communities and Local Government. This was an independent evaluation of Phase One of the £448 million Troubled Families Programme, which aimed to 'turn around' the lives of 120,000 families with multiple and complex needs in England, to review the main achievements as well as the areas that have been least successful in this programme.
- An 'Evaluation of the Joseph Rowntree Foundation's Minimum Income Standards Programme', which aimed to inform, challenge and enhance debate by providing policy makers, practitioners and other key stakeholders with an annual benchmark of how much income households need to afford a minimum socially acceptable standard of living in the UK.
- 'Inequality among lesbian, gay, bisexual and transgender (LGB&T) groups in the UK: a review of evidence' commissioned by the Government Equalities Office in order to identify the nature of inequality and relative disadvantage experienced by LGB&T people in the UK, with the purpose of supporting the development and targeting of policies intended to remove barriers to LGB&T equality.
- The report 'Use of Agency Workers in the Public Sector' commissioned by the Office of Manpower Economics with the aim of better understanding the use of agency staff in the UK public sector, particularly in health and education.
- 'Older workers and the workplace: evidence from the Workplace Employment Relations Survey' for the Department for Work and Pensions, a report reviewing the working experiences of older individuals as well as the potential impact changes in the age of composition of workplaces may have on their performance.

Profile and impact

The Institute has provided timely as well as authoritative contributions to the key issues of the day, with a focus on the dissemination of research findings via a proactive relationship with the media. The table below shows the levels of activity for publications, events and media during the year compared with prior periods:

	2016/17	2015/16	2014/15	2013/14	2012/13
Research reports, articles, chapters in books	126	128	118	176	76
Conference and seminar presentations	72	60	61	67	53
Mentions and appearances on broadcast media	980	135	154	128	237

As indicated, the period was dominated by the EU referendum campaign and the issues surrounding the decision to leave the EU, and the Institute played a central role in providing research and analysis on the prospects and repercussions of Brexit. The May and August Review press conferences were very well attended and our Review articles on trade and immigration, as well as the stark inflation forecast, generated enormous coverage for the Institute.

During the year the Institute established a new Head of Communications and Engagement role, underpinning the focus on profile, impact and outreach. The new post-holder, who joined the Institute in September 2016, has reviewed and improved our media strategy and has worked closely with researchers to disseminate their research, raise their media profile, and publish more blogs and podcasts appealing to a wider online audience. The Institute is building stronger relationships with journalists and other relevant stakeholders.

As a result, our website statistics show significant growth in our online readership compared to the prior year, with a near doubling of the number of page views on our website since last year, and over 237,000 views of the 76 blogs published during the period. In addition, the number of media mentions in both the UK and global press has increased significantly since last year. During the period the Institute was mentioned 11,645 times in national and local newspapers and online platforms, representing a three and a half time's increase on last year's number, and 10,185 times in global news outlets. Since November 2016 the Institute has subscribed to a broadcast monitoring tool in November allowing better tracking of mentions on radio and TV, and in the period to year end 980 appearances and mentions on broadcast media were logged.

Press coverage has included high profile articles in the FT, The Economist, The Times, The Guardian, The Telegraph, The Daily Mail, The Wall Street Journal, International Business Times, City AM, The Independent, Reuters, Bloomberg, Prospect, and increasingly the Daily Mail, Mirror and Sun. Additionally our work was mentioned a number of times in regular columns in the Sunday Times and the FT.

Our researchers were regularly interviewed by the BBC News Channel, and appeared on prestigious radio news programmes such as Radio 4's Today, PM and The World This Weekend, and discussion programmes such as Radio 4's The Briefing Room.

As the logistics of the Brexit negotiations have dominated the news, we have been able successfully to insert the Institute into the national conversation by issuing press notes commenting on the Prime Minister's Europe speech and on the White Paper for Exiting the EU, both of which were widely quoted in newspaper pieces and by journalists on social media. As a result, the Institute's work was mentioned in Parliament during the Article 50 debate.

In terms of social media, we added more than 300 new followers on Facebook and approximately 1,200 new followers on Twitter (a near 20% increase on last year). Additionally, we uploaded 6 videos to our YouTube channel which have received more than 11,500 views: the most popular video being 'The EU Ref: the missing debate', which explains the difference between a single market and a free trade agreement, which has totalled more than 10,000 views so far. This number is likely to grow further given the continuing relevance of the topic. We also published a total of 21 podcasts which have been listened to by more than 3,200 people so far.

During the period, the Institute organised a number of high profile conferences and events. The two held pre-Referendum were very well attended: the launch of our Brexit analysis (May Review), and the Modellers' Conference which saw our lead economic forecasters presenting their analysis and steering debate on the economic consequences of leaving the EU. Post-referendum, our press conferences and economists' briefings have continued to be popular, in particular our three full-day Conferences: the 'Rethinking Macroeconomics' conference, 'Economic Measurement and Analysis: A Conference in Honour of (former Director) Martin Weale', and the 'UK After Brexit' conference. Interviews filmed at the latter event were uploaded on You Tube and have been viewed over 600 times.

Aside from their contributions to the National Institute Economic Review, our researchers published articles in prestigious journals such as Empirical Economics, Economic Modelling, the Journal of the Royal Statistical Society, the Journal of Ageing and Society, and the International Journal of Manpower, as well as contributing papers for books by the Directorate-General for Economic and Financial Affairs and the European University Institute.

Researchers also gave evidence to a number of select committees on Brexit, labour market policy and immigration and the Institute also provided special advisers to House of Common's International Trade and Treasury Committees.

PLANS FOR THE FUTURE

The period covered by this report has been a year of significant transition. The financial year 2017-18 will be a year of stabilisation and active review and development in order to diversify and grow our income streams in subsequent years. We expect the financial losses to reduce in 2018-19 and aim to ensure long-term viability by the end of 2019-20.

The Institute will continue to carry out high quality economic and social research of relevance to policy makers and the general public, and will pursue funding that supports our core research agenda, in areas where we have particular expertise and experience: macroeconomic modelling, trade and exiting the EU, immigration, productivity, housing, health, international finance, education, labour markets, monetary and fiscal policy as well as policy evaluation. We will seek to provide analysis and commentary to strengthen the debate as the negotiations for the United Kingdom to leave the European Union gather pace.

The Institute has appointed a significant number of new staff during the year and in the period immediately ensuing: two part-time Research Directors, two Associate Research Directors, a number of Research Fellows and Research Officers as well as a new Chief Operating Officer, Head of Finance and several new administrative staff to replace outgoing post-holders. We will be ensuring that the new staff team settles in and gets up to speed quickly in order to fulfil our organisational objectives effectively and efficiently in the coming period and beyond. This will include ongoing review of operational effectiveness and efficiency with improvements being made to ongoing business practice as appropriate. In particular:

- We will build upon and strengthen our areas of research expertise, and focus in particular on seeking longer term funding and collaborating with other research organisations to enhance our grant-funding bids where appropriate.
- We will continue to develop alternate funding streams, broadening the income opportunities related to our global macro-econometric model, NiGEM, and seeking to better understand the services that we can provide to the private sector.

- We will review opportunities to develop teaching and executive education in partnership with the University of Warwick and others, and also how to further progress our charitable outreach work. We will aim to maximise the impact our work can have by further developing our proactive communications strategy and utilising the partnerships and networks that we have with academic collaborators, policymakers, the press and via social media, in particular through the ESCoE and the Rebuilding Macroeconomics network.
- We will retain our commitment to the production of top quality products and services for our stakeholders. In June 2017 the Institute achieved ISO accreditation for the following three international standards: ISO 27001 Information Management Standard, ISO 9001 Quality Management Standard, and ISO 14001 Environmental Management Standard. Going forward the Institute will continue to embed these policies and procedures and encourage a culture of continual review and improvement.

RISK MANAGEMENT

The major risks for the Institute are reviewed and scrutinised by the Audit, Risk and Ethics Committee and the Board of Trustees, covering both short and long term risks and in particular those concerning financial sustainability and reputation. The Board maintain a risk register which is updated annually, and the Committee usually reviews one key risk in depth at each meeting.

The principal risks facing the Institute relate to financial sustainability, weaknesses in financial and project management, and the retention of our reputation for academic excellence, independence and integrity. The actions taken by the new Director since his arrival in May 2016 have begun to move the Institute forward along the path to financial sustainability but the ongoing risks remain real and mitigating actions continue. Having identified the need to diversify our income by growing non-research income, the Institute is now building up the organisational foundations on which to found these business streams in terms of staffing and business support. We will expect to see a growth in commercial revenue in 2017-18, whilst mindful that new staff need time to stabilise in their roles and at the same time existing staff need ongoing management and development. The new Chief Operating Officer, who arrived in May 2017, has the development of better project management information as a key deliverable for the coming period. Regular reporting against key performance indicators will allow timely analysis of work in progress, staff utilisation and activity against budget as well as the proactive looking ahead and planning for future periods.

FINANCIAL REVIEW

The financial year 2016-17 has been a transition year, following the turnaround programme initiated by Trustees in January 2016 which resulted from a number of years of financial deficit and use of reserves. The Institute is rebuilding its business model to mitigate the risks around the research funding environment and the fact that research funding alone is not sufficient to cover the costs of running the Institute. The aim being to increase income from non-research funding sources in order to ensure that income covers all expenditure whilst allowing the Institute to meet its objectives and deliver suitable activities and impact.

Statement of Financial Activities

The Statement of Financial Activities (SoFA) for the year (page 19) shows a shortfall of incoming resources, before recognised gains and losses, of £329,636 (2016: deficit £456,444) arising from gross unrestricted income of £1,564,602 (2016: £1,728,744) and £1,156,482 of restricted income (2016: £1,418,339). Expenditure within the SoFA includes a charge of £10,071 (2016: charge of £212,622) relating to the movement in the USS deficit provision. While this is reported within staff cost expenditure from an accounting perspective, it does not relate to the operational activities of the Institute during the year. On a comparable basis, the net deficit of the year, before unrecognised gains and losses and the movement in the USS provision, was £319,565 (2016: deficit of £243,822) and can be summarised as follows:

	2016-2017	2015-2016	2014-2015	2013-2014
	£	£	£	£
Income				
Fees for research work	1,731,450	2,289,700	2,052,500	2,311,987
Economic model fees	534,331	418,836	483,860	456,434
Publications*	253,172	219,905	214,343	237,439
Investment income	69,430	92,150	77,390	77,362
Other income	55,695	27,116	12,114	40,263
Corporate membership	54,500	49,500	49,500	-
Rental income	18,262	9,107	-	-
Conference income	3,744	39,154	-	-
Donations	500	1,615	16,551	34,000
	2,721,084	**3,147,083**	**2,906,258**	**3,157,485**
Expenditure				
Staff costs**	2,014,621	2,386,667	2,525,000	2,589,433
Other expenditure*	1,026,028	1,004,238	740,705	973,492
	3,040,649	**3,390,905**	**3,265,705**	**3,562,925**
Net deficit excluding gain/loss on investments and USS deficit provision	**(319,565)**	**(243,822)**	**(359,447)**	**(405,440)**

* Publication income is now recognised on a gross sales basis with fees to SAGE publishing recorded in expenditure. Prior year figures, which were on a net royalty receipt basis, have been restated accordingly (see note 24 to the financial statements).

** For the purposes of comparability, staff costs above are shown exclusive of the movement in the USS deficit reduction provision (see notes 7 and 24 to the financial statements).

Total income for the year to 31 March 2017 has fallen by 14% compared to prior year, consisting of:

- A 24% decrease in income from research work, related in the main to a reduced capacity to win and deliver research projects due to the staffing restructure and the diversion of management resources to implement this. Going forward, research income will be positively impacted by the significant funding won relating to the ESCoE and the 'Rebuilding Macroeconomics' Network over the next four years. Additionally the Institute has restructured and aligned research directorates with its core research agenda and will continue to pursue funding for research projects in order to enhance expertise in key macroeconomic and microeconomic fields and establish centres of excellence in these domains. The Institute will build upon existing funding from Government departments, the Economic and Social Research Council, the European Commission and certain foundations and trusts.
- A 23% increase in income from the econometric model and publications. Trustees identified the need for the Institute to respond to opportunities to develop non-research income and this financial year has seen income growth resulting from that. Going forward, a continued review of resources, systems and culture will aim to foster innovation and encourage further income growth from the private sector.

Expenditure for the year has fallen by 10%, primarily due to a decrease of 16% in staff costs (excluding the movement in the USS provision) reflecting lower average staff numbers during the year.

Balance Sheet

The balance sheet shows an increase in unrestricted reserves of £34,250 to £2,419,900 compared to a restated amount of £2,385,650 at 31 March 2016 with the operational deficit more than offset by unrealised gains within the investment portfolio. The unrealised investment gains have resulted in a fair value reserve of £149,479 (31 March 2016: nil) being recognised within unrestricted funds. This represents the fair value of investments at 31 March 2017 in excess of their historic cost value.

Included in the balance sheet is a provision for liabilities of £434,006 (31 March 2016 restated: £423,935). This represents a contractual obligation in relation to the University's Superannuation Scheme (USS) deficit recovery plan. This obligation extends to 2031, the period over which outflow related to this provision is expected, and is discounted to present value accordingly.

Investment policy

The Investment Committee is responsible for managing all the invested assets held by the Charity. 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 Trustees.

The overall objectives are to create sufficient income and capital growth to enable the Charity to carry out its purposes consistently year by year with due and proper consideration for future needs and the maintenance of and, if possible, enhancement of the value of the invested funds while they are retained.

	Standard Criteria
Objective	*'Balanced' return between income and capital*
Risk	*Medium*
Mandate	*Discretionary*
Time Horizon	*3-5 years*

During the year, Trustees appointed Rathbones as the Institute's investment managers and duly moved the Institute's portfolio from Investec.

During the year to 31 March 2017 there was an unrealised gain in the fair value of listed investments of £363,886 (2016: loss £157,470).

Reserves policy and going concern

The Trustees aim to maintain free reserves in unrestricted funds at a level which provides sufficient funds for the ongoing running of the Institute as it recovers from the financial deficits of recent years. The level should be sufficient to cover:

- Legal obligations;
- Risks relating to the historic variability of research and trading income;
- Risks relating to the historic variability of investment income;
- Unforeseen day-to-day operational costs;
- Emergency costs;
- Any requirement to fund short-term cash deficits during the recovery period, and;

- Future development allowing for organisational innovation and growth.

Trustees have reviewed these risks and agree that the Institute will aim to hold free reserves of at least £2,000,000 in an unrestricted general fund. The balance held as unrestricted free reserves at 31 March 2017 is £2,419,900. These reserves are designed to be sufficient during the Institute's recovery period but will be subject to annual review by Trustees.

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

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

Designated funds

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

The level of the designated funds are subject to annual review by Trustees.

STRUCTURE, GOVERNANCE AND MANAGEMENT

The Institute is both a company limited by guarantee and a registered Charity. It is governed by the Board of Trustees who is collectively responsible for the governance and strategic direction of the Institute together with its financial health, delivery of public benefit, probity of its activities and the development of the organisation's aims, objectives and goals, under a Memorandum and Articles of Association which have been in place since incorporation in 1938.

The Board of Trustees consists of senior representatives from policy-making, business and academia. All new Trustee positions will be advertised publicly with the aim of appointing a diverse board with an appropriate mix of skills. Trustees are appointed at the Institute's Annual General Meeting in November and co-opted at other times subject to election at the next AGM. Prior to election, Trustees are made aware of their obligations in relation to the Charity in line with the Memorandum and Articles of Association. New Trustees receive an induction into their role which includes understanding and fulfilling any training needs. All Trustees give of their time freely and no Trustee remuneration was paid in the year. Details of Trustee expenses and related party transactions are disclosed in notes 7 and 9 to the accounts.

During the year, a working party of Trustees carried out a review to examine the Institute's governance structures, procedures and processes and to make recommendations for improvement. As a result, governance regulations were agreed by the Board in June 2017, including the following:

- The Board of Trustees (known as the 'Council of Management') will consist of 10-12 members, appointed for a period of four years, usually renewable once.
- Each member of Council will be actively involved with the Institute either by engaging with management, or serving on a sub-committee, or both. Members of Council will abide by the *Nolan Principles of Public Life*.
- Council members will make an annual declaration of interests, and inform the Chair of any changes or any specific conflicts of interest arising. They will recuse themselves from discussions concerning issues in which they have an interest.

- There will be four Council meetings a year, and others if considered necessary. Meetings will be quorate if five Council members plus the Chair are present.
- The Director and COO will attend and give reports to the Council. A staff representative will attend. Each Council meeting will aim to include a presentation from staff on one area of work.
- Decisions may be taken, if necessary, in electronic form between meetings unless a Council Member objects.
- In addition to Council, the Institute shall aim to have 150 Governors who will be appointed for a renewable term of five years. They will be invited to attend events, chair seminars, facilitate meetings and provide advice as required to the Director. There will be one AGM each year, usually after the November meeting of Council, at which Governors will elect the President, adopt the annual accounts of the Institute and approve the appointment of the auditors. Council may call an EGM as it sees fit.

Additionally, the scheme for delegated authority and matters reserved for Council was reviewed and amended, and a new committee structure was approved. Council now has three committees, consisting of the following Trustees and executive staff:

- Audit, Risk and Ethics Committee
  - Neil Gaskell (Chair)
  - Tera Allas
  - Keith Mackrell
  - Jagjit Chadha (Director) in attendance
  - Chivonne Preston (Chief Operating Officer) in attendance
- Investment Committee
  - Sir Alan Budd (Chair)
  - Stephen Daryl King
  - Ewen Macpherson (co-opted)
  - Jagjit Chadha (Director) in attendance
  - Chivonne Preston (Chief Operating Officer) in attendance
- Nominations and Remuneration Committee
  - Professor Diane Coyle (Chair)
  - Sadeq Sayeed
  - Professor Lorna Unwin
  - Jagjit Chadha (Director)
  - Chivonne Preston (Chief Operating Officer) in attendance

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

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

AUDITORS

A resolution to appoint Sayer Vincent LLP as auditors of the Institute was passed at an Extraordinary General Meeting held on 8 June 2017 following a re-tender as advised to the Annual General Meeting in 2016.

STAFFING

This period has seen significant staff changes. This has included 12 starters and 21 leavers. The Institute has 33 staff headcount at the period end, equivalent to 30 full time employees. A review of personnel matters has been undertaken by the new Chief Operating Officer post-year end and employees have been consulted on issues of concern to them. Improvements have been made in staff communications, relevant operational procedures and a new staff handbook was published in July 2017 which includes a number of updated policies. The management recognise the Unite union as having collective bargaining rights in relation to pay, hours and holiday for all employees with the exception of the Director and the Chief Operating Officer. The Nominations and Remuneration Committee has the responsibility for setting the Director's remuneration and reviewing performance, and the Director has the responsibility for setting the remuneration of all other staff.

STATEMENT OF RESPONSIBILITIES OF THE TRUSTEES

The Trustees (who are also directors of The National Institute of Economic and Social Research for the purposes of company law) are responsible for preparing the Trustees' annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and group and of the incoming resources and application of resources, including the income and expenditure, of the charitable group for that period. In preparing these financial statements, the Trustees are required to:

- Select suitable accounting policies and then apply them consistently
- Observe the methods and principles in the Charities SORP
- Make judgements and estimates that are reasonable and prudent
- State whether applicable UK Accounting Standards and statements of recommended practice have been followed, subject to any material departures disclosed and explained in the financial statements
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in operation

The Trustees are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the Trustees are aware:

- There is no relevant audit information of which the charitable company's auditor is unaware
- The Trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information

The Trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the board of Trustees.

Professor Diane Coyle, Chair

9-11-17

Date

INDEPENDENT AUDITORS REPORT TO THE TRUSTEES AND MEMBERS OF THE NATIONAL INSTITUTE OF ECONOMIC AND SOCIAL RESEARCH

Opinion

We have audited the financial statements of The National Institute of Economic and Social Research (the 'parent charitable company') and its subsidiaries (the 'group') for the year ended 31 March 2017 which comprise the consolidated statement of financial activities, the group and parent charitable company balance sheets, the consolidated statement of cash flows and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- Give a true and fair view of the state of the group's and of the parent charitable company's affairs as at 31 March 2017 and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice
- Have been prepared in accordance with the requirements of the Companies Act 2006 and the Charities Act 2011

Basis for opinion

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

Conclusions relating to going concern

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

- The Trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- The Trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent charitable company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Trustees are responsible for the other information. The other information comprises the information included in the Trustees' annual report other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- The information given in the Trustees' annual report for the financial year for which the financial statements are prepared is consistent with the financial statements

- The Trustees' annual report has been prepared in accordance with applicable legal requirements

Matters on which we are required to report by exception

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

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

- Adequate accounting records have not been kept by the parent charitable company, or returns adequate for our audit have not been received from branches not visited by us; or

- The parent charitable company financial statements are not in agreement with the accounting records and returns; or

- Certain disclosures of Trustees' remuneration specified by law are not made; or

- We have not received all the information and explanations we require for our audit; or

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

Responsibilities of Trustees

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trustees

- Conclude on the appropriateness of the Trustees' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's or the parent charitable company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group or the parent charitable company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Sayer Vincent LLP

15 November 2017

Judith Miller (Senior statutory auditor)

Date

for and on behalf of Sayer Vincent LLP, Statutory Auditor

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

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

National Institute of Economic and Social Research

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

For the year ended 31 March 2017

	Note	2017 Unrestricted £	2017 Restricted £	2017 Total £	Restated 2016 Unrestricted £	Restated 2016 Restricted £	Restated 2016 Total £
Income from:							
Donations and legacies		500	-	**500**	1,615	-	1,615
Charitable activities	2						
Research work		574,968	1,156,482	**1,731,450**	871,361	1,418,339	2,289,700
Econometric model		534,331	-	**534,331**	418,836	-	418,836
Publications		253,172	-	**253,172**	219,905	-	219,905
Other trading activities	3	132,201	-	**132,201**	124,877	-	124,877
Investments	4	69,430	-	**69,430**	92,150	-	92,150
Total income		1,564,602	1,156,482	**2,721,084**	1,728,744	1,418,339	3,147,083
Expenditure on:							
Charitable activities							
Research work		693,807	1,510,192	**2,203,999**	958,679	1,890,302	2,848,981
Econometric model		525,838	-	**525,838**	475,498	-	475,498
Publications		267,728	-	**267,728**	241,453	-	241,453
Other trading activities		34,236	-	**34,236**	18,949	-	18,949
Investment management		18,919	-	**18,919**	18,646	-	18,646
Total expenditure	5	1,540,528	1,510,192	**3,050,720**	1,713,225	1,890,302	3,603,527
Net income / (expenditure) before net gains / (losses) on investments		24,074	(353,710)	**(329,636)**	15,519	(471,963)	(456,444)
Net gains / (losses) on investments		363,886	-	**363,886**	(157,470)	-	(157,470)
Net income / (expenditure) for the year	6	387,960	(353,710)	**34,250**	(141,951)	(471,963)	(613,914)
Transfers between funds		(353,710)	353,710	-	(471,963)	471,963	-
Net movement in funds		34,250	-	**34,250**	(613,914)	-	(613,914)
Reconciliation of funds:	21a						
Total funds brought forward		2,385,650	-	**2,385,650**	3,210,877	-	3,210,877
Prior year adjustment	24	-	-	-	(211,313)	-	(211,313)
Total funds brought forward (as restated)		2,385,650	-	**2,385,650**	2,999,564	-	2,999,564
Total funds carried forward		2,419,900	-	**2,419,900**	2,385,650	-	2,385,650

All of the above results are derived from continuing activities. There were no other recognised gains or losses other than those stated above. Movements in funds are disclosed in Note 21a to the financial statements. The restatement of prior year amounts is disclosed in Note 24 to the financial statements.

National Institute of Economic and Social Research

Balance sheets

As at 31 March 2017 Company no. 0341010

	Note	The group 2017 £	The group Restated 2016 £	The charity 2017 £	The charity Restated 2016 £
Fixed assets:					
Tangible assets	11	**180,927**	210,318	**180,927**	210,318
Investments	12	**2,445,842**	2,297,402	**2,445,844**	2,297,404
		2,626,769	2,507,720	**2,626,771**	2,507,722
Current assets:					
Debtors	15	**810,136**	873,323	**810,136**	873,323
Cash at bank and in hand		**432,295**	304,984	**419,979**	294,507
		1,242,431	1,178,307	**1,230,115**	1,167,830
Liabilities:					
Creditors: amounts falling due within one year	16	**(1,015,294)**	(876,442)	**(1,002,978)**	(865,965)
Net current assets		**227,137**	301,865	**227,137**	301,865
Total assets less current liabilities		**2,853,906**	2,809,585	**2,853,908**	2,809,587
Provisions for liabilities	18	**(434,006)**	(423,935)	**(434,006)**	(423,935)
Total net assets	20a	**2,419,900**	2,385,650	**2,419,902**	2,385,652
Funds:	21a				
Restricted income funds		-	-	-	-
Unrestricted income funds:					
Designated funds		**8,995**	30,000	**8,995**	30,000
Fair value reserve		**149,479**	-	**149,479**	-
General funds		**2,695,432**	2,779,585	**2,695,434**	2,779,587
Pension reserve		**(434,006)**	(423,935)	**(434,006)**	(423,935)
Total unrestricted funds		**2,419,900**	2,385,650	**2,419,902**	2,385,652
Total funds		**2,419,900**	2,385,650	**2,419,902**	2,385,652

The restatement of prior year amounts is disclosed in Note 24 to the financial statements.

Approved by the Trustees and signed on their behalf by

Professor Diane Coyle
Chair, Council of Management

Date: 9 - 11 - 17

National Institute of Economic and Social Research

Consolidated statement of cash flows

For the year ended 31 March 2017

	Note	2017		2016	
		£	£	£	£
Cash flows from operating activities					
Net cash used in operating activities	22		(146,672)		(529,818)
Cash flows from investing activities:					
Dividends, interest and rents from investments		69,430		92,150	
Purchase of fixed assets		(10,893)		(13,746)	
Proceeds from sale of investments		2,511,532		861,084	
Purchase of investments		(2,090,070)		(646,749)	
Net cash provided by investing activities			479,999		292,739
Change in cash and cash equivalents in the year			333,327		(237,079)
Cash and cash equivalents at the beginning of the year			340,009		577,088
Cash and cash equivalents at the end of the year	23		673,336		340,009

1 Accounting policies

a) Statutory information

The National Institute of Economic and Social Research is a charitable company limited by guarantee and is incorporated in the United Kingdom. The registered office address is 2 Dean Trench Street, Smith Square, London, SW1P 3HE.

b) Basis of preparation

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) - (Charities SORP FRS 102), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (September 2015) and the Companies Act 2006.

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

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

c) Public benefit entity

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

d) Going concern

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

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

e) Income

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

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

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

f) Interest receivable

Interest on funds held on deposit is included when receivable and the amount can be measured reliably by the charity; this is normally upon notification of the interest paid or payable by the bank.

1 Accounting policies (continued)

g) Fund accounting

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

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

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

h) Expenditure and irrecoverable VAT

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

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

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

i) Allocation of support costs

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

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

• Research work	73.4%
• Econometric model	19.4%
• Publications	5.6%
• Other trading activities	1.4%
• Investment management	0.2%

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

j) Operating leases

Rental charges are charged on a straight line basis over the term of the lease.

k) Tangible fixed assets

Items of equipment are capitalised where the purchase price exceeds £1,500. Depreciation costs are allocated to activities on the basis of the use of the related assets in those activities. Assets are reviewed for impairment if circumstances indicate their carrying value may exceed their net realisable value and value in use.

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

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

• Property improvements	10 years
• Office and computer equipment	3 years
• IT upgrade	4 years
• Website development	4 years

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

1 Accounting policies (continued)

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

m) Investments in subsidiaries
Investments in subsidiaries are at cost.

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

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

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

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

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

s) Pensions
The group participates in Universities Superannuation Scheme. With effect from 1 October 2016, the scheme changed from a defined benefit only pension scheme to a hybrid pension scheme, providing defined benefits (for all members), as well as defined contribution benefits. The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the assets are not attributed to individual institutions and a scheme-wide contribution rate is set. The institution is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. As required by Section 28 of FRS 102 "Employee benefits", the group therefore accounts for the scheme as if it were a wholly defined contribution scheme. As a result, the amount charged to the statement of financial activities represents the contributions payable to the scheme. Since the group has entered into an agreement (the Recovery Plan) that determines how each employer within the scheme will fund the overall deficit, the group recognises a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and therefore an expense is recognised.
The group also operates an Auto-Enrolment Compliant (AE) defined contribution scheme. The assets of these schemes are individually held by its members. Contributions to these schemes in the year were charged to the statement of financial activities as incurred.

1 Accounting policies (continued)

t) Critical accounting judgements

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

u) Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

2 Income from charitable activities

	Unrestricted £	Restricted £	**2017 Total £**	2016 Total £
Research work				
European Commission institutions	120,373	153,675	**274,048**	421,526
Research Councils	-	470,722	**470,722**	558,701
Government departments	237,338	258,695	**496,033**	549,033
Trusts and Foundations	19,658	251,040	**270,698**	426,289
Other	197,599	22,350	**219,949**	334,151
Sub-total for research work	574,968	1,156,482	**1,731,450**	2,289,700
Econometric model fees				
Subscriptions	534,331	-	**534,331**	418,836
Sub-total for econometric model fees	534,331	-	**534,331**	418,836
Publications				
Sales and other income from publications	253,172	-	**253,172**	219,905
Sub-total for publications	253,172	-	**253,172**	219,905
Total income from charitable activities	1,362,471	1,156,482	**2,518,953**	2,928,441

3 Income from other trading activities

	Unrestricted £	Restricted £	**2017 Total £**	2016 Total £
Corporate membership	54,500	-	**54,500**	49,500
Room rental	18,262	-	**18,262**	9,107
Other income	59,439	-	**59,439**	66,270
	132,201	-	**132,201**	124,877

4 Income from investments

	Unrestricted £	Restricted £	**2017 Total £**	2016 Total £
Dividends	68,462	-	**68,462**	90,099
Bank interest	968	-	**968**	2,051
	69,430	-	**69,430**	92,150

5 Analysis of expenditure

	Raising funds		Charitable activities						
	Investment management £	Other trading activities £	Publications £	Econometric model £	Research work £	Governance costs £	Support costs £	**2017 Total £**	2016 Total £
Staff costs (Note 7)	3,713	22,210	88,617	305,811	1,152,895	-	451,446	**2,024,692**	2,599,289
Honoraria and fees	-	-	93,925	14,995	294,864	-	-	**403,784**	383,773
Travel and subsistence	-	-	-	2,207	26,521	885	4,209	**33,822**	35,129
Books and journals	-	-	-	-	-	-	26,310	**26,310**	18,811
Research materials	-	-	-	34,390	23,466	-	-	**57,856**	70,680
Sundry expenses	-	-	702	2,844	81,981	25	91,085	**176,637**	121,218
Premises	-	-	-	-	-	-	111,190	**111,190**	82,999
IT	-	-	-	-	-	-	86,517	**86,517**	106,052
Professional fees	-	-	36,500	-	-	15,152	24,513	**76,165**	116,850
Depreciation	-	-	-	-	-	-	40,284	**40,284**	50,447
Finance costs and bad debts	13,195	-	-	-	-	9	259	**13,463**	18,279
	16,908	22,210	219,744	360,247	1,579,727	16,071	835,813	**3,050,720**	3,603,527
Support costs	1,973	11,799	47,079	162,467	612,495	-	(835,813)	-	-
Governance costs	38	227	905	3,124	11,777	(16,071)	-	-	-
Total expenditure 2017	**18,919**	**34,236**	**267,728**	**525,838**	**2,203,999**	-	-	**3,050,720**	
Total expenditure 2016	18,646	18,949	241,453	475,498	2,848,981	-	-		3,603,527

6 Net income / (expenditure) for the year

This is stated after charging / (crediting):

	2017 £	2016 £
Depreciation	**40,284**	50,447
Auditors' remuneration (excluding VAT):		
Audit	**14,300**	19,590
Other services	**–**	2,511
Foreign exchange gains or losses	**2,188**	(435)

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

Staff costs were as follows:

	2017 £	2016 £
Salaries and wages	**1,573,770**	1,883,916
Redundancy and termination costs	**21,955**	29,219
Social security costs	**165,763**	176,202
Employer's contribution to defined contribution pension schemes	**10,347**	38,580
Employer's contribution to defined benefit pension schemes	**242,786**	258,750
Movement in provision for USS pension scheme	**10,071**	212,622
	2,024,692	2,599,289

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

	2017 No.	2016 No.
£60,000 – £69,999	**–**	2
£70,000 – £79,999	**4**	2
£80,000 – £89,999	**2**	3
£90,000 – £99,999	**–**	1
£100,000 – £109,999	**–**	1
£110,000 – £119,999	**1**	–
£140,000 – £149,999	**1**	–

The key management of the charity comprise the trustees, the director and the chief operating officer. The total employee benefits (including employer's pension contributions and employer's national insurance) of the key management personnel were £284,661 (2016: £202,328). This included remuneration of the part-time interim director from 5 October 2015 until 30 April 2016.

The charity trustees were neither paid nor received any other benefits from employment with the charity in the year (2016: £nil). No charity trustee received payment for professional or other services supplied to the charity (2016: £nil).

Trustees' expenses represent the payment or reimbursement of travel and subsistence costs and totalled £493 (2016: £60) incurred by 1 (2016: 1) member relating to attendance at meetings of the trustees.

8 Staff numbers

The average number of employees (head count based on number of staff employed) during the year was 36 (2016: 42).

9 Related party transactions

There are no related party transactions to disclose for 2017 (2016: none).

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

10 Taxation

The charity is exempt from corporation tax as all its income is charitable and is applied for charitable purposes. The charity's trading subsidiary NIESR Services Limited gift aids available profits to the parent charity. Its charge to corporation tax in the year was:

	2017	2016
	£	£
UK corporation tax at 20% (2016: 20%)	-	-

11 Tangible fixed assets

The group and charity	Freehold property (restated)	Property improvements	IT and office equipment	Website	**Total**
	£	£	£	£	**£**
Cost					
At the start of the year	118,380	108,115	136,709	42,498	**405,702**
Additions in year	-	-	10,893	-	**10,893**
At the end of the year	118,380	108,115	147,602	42,498	**416,595**
Depreciation					
At the start of the year	-	74,602	86,083	34,699	**195,384**
Charge for the year	-	10,809	23,695	5,780	**40,284**
At the end of the year	-	85,411	109,778	40,479	**235,668**
Net book value					
At the end of the year	118,380	22,704	37,824	2,019	**180,927**
At the start of the year	118,380	33,513	50,626	7,799	210,318

During 2016 the charity sought independent professional advice in relation to the value of its freehold property. This advice indicated a valuation significantly in excess of the carrying value of the assets in the financial statements. As a result the charity reconfirmed its practice in recent years of not depreciating its freehold property. For clarity of presentation the previously reported balances of cost of £167,380, cumulative depreciation of £49,000 and net book value of £118,380 are now reported as a net cost item in the notes to the accounts above.

All of the above assets are used for charitable purposes.

12 Investments

	The group 2017 £	2016 £	The charity 2017 £	2016 £
Fair value at the start of the year	**2,262,377**	2,634,182	**2,262,377**	2,634,182
Additions at cost	**2,090,070**	646,749	**2,090,070**	646,749
Disposal proceeds	**(2,511,532)**	(861,084)	**(2,511,532)**	(861,084)
Net gain / (loss) on change in fair value	**363,886**	(157,470)	**363,886**	(157,470)
Listed investments	**2,204,801**	2,262,377	**2,204,801**	2,262,377
Investment in subsidiary companies	**-**	-	**2**	2
Cash held by investment broker pending reinvestment, including accrued interest	**241,041**	35,025	**241,041**	35,025
Fair value at the end of the year	**2,445,842**	2,297,402	**2,445,844**	2,297,404
Historic cost at the end of the year	**2,296,363**	2,309,242	**2,296,365**	2,309,244

13 Subsidiary undertaking

The charitable company owns the whole of the issued ordinary share capital of NIESR Services Limited, a company registered in England. The subsidiary is used for non-primary purpose trading activities. All activities have been consolidated on a line by line basis in the statement of financial activities. Available profits are gift aided to the charitable company. The Director and Chief Operating Officer of the charitable company are also directors of the subsidiary. A summary of the results of the subsidiary is shown below:

	2017 £	Restated 2016 £
Turnover	**252,994**	219,905
Cost of sales	**(131,109)**	(114,908)
Gross profit	**121,885**	104,997
Administrative expenses	**(187)**	(177)
Operating profit / (loss)	**121,698**	104,820
Interest receivable	**8**	23
Profit on ordinary activities	**121,706**	104,843
Donation to parent under Gift Aid	**(121,706)**	(104,843)
Profit for the financial year	**-**	-

The aggregate of the assets, liabilities and funds was:

	2017	Restated 2016
Assets	**34,856**	94,149
Liabilities	**(34,854)**	(94,147)
Funds	**2**	2

No management charges from the parent entity were incurred by the subsidiary undertaking. Amounts owed from the parent company are shown in note 16.

14 Parent charity

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

	2017	2016
	£	£
Gross income	2,468,082	2,927,156
Result for the year	(87,456)	(718,757)

15 Debtors

	The group 2017	2016	The charity 2017	2016
	£	£	£	£
Trade debtors	476,926	313,991	476,926	313,991
Other debtors	37,221	49,015	37,221	49,015
Accrued income	295,989	510,317	295,989	510,317
	810,136	873,323	810,136	873,323

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

16 Creditors: amounts falling due within one year

	The group 2017	2016	The charity 2017	2016
	£	£	£	£
Trade creditors	168,463	32,465	168,463	32,463
Taxation and social security	43,413	123,267	43,413	123,267
Amounts owed to subsidiary undertaking	-	-	22,538	83,671
Accruals	147,807	281,831	147,807	240,535
Deferred income (note 17)	655,611	438,879	620,757	386,029
	1,015,294	876,442	1,002,978	865,965

17 Deferred income

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

	The group 2017	2016	The charity 2017	2016
	£	£	£	£
Econometric model subscriptions	355,246	270,990	355,246	270,990
Research work	180,422	80,830	180,422	80,830
Corporate membership	58,292	34,209	58,292	34,209
Royalty income	34,854	52,850	-	-
Other	26,797	-	26,797	-
Balance at the end of the year	655,611	438,879	620,757	386,029

18 Provisions for liabilities

	The group 2017	2016	The charity 2017	2016
	£	£	£	£
Obligation to fund deficit on USS pension				
At the start of the year	**423,935**	211,313	**423,935**	211,313
Movement in year	**10,071**	212,622	**10,071**	212,622
At the end of the year	**434,006**	423,935	**434,006**	423,935

The obligation to fund the past deficit on the University's Superannuation Scheme (USS) arises from the contractual obligation with the pension scheme for total payments relating to benefits arising from past performance. Management have assessed future employees within the USS scheme and salary payment over the period of the contracted obligation in assessing the value of this provision. The USS deficit recovery plan extends to 2031, the period over which outflow related to this provision is expected. The changes in salary costs and staff numbers have been assessed using the forecast impact of the Institute's plans on the number of staff employed, and known statutory and other increases to pay. The discount rate used is considered to be the equivalent of that of a high quality corporate bond.

19a Pension schemes – Universities Superannuation Scheme (USS)

The total cost charged to the statement of financial activities for the year, excluding the movement in the USS pension deficit provision, was £242,786 (2016: £258,750) as shown in note 7.

The latest available full actuarial valuation of the scheme was at 31 March 2014 (the valuation date), which was carried out using the projected unit method. The valuation as at 31 March 2017 is underway.

Since the institution cannot identify its share of scheme assets and liabilities, the following disclosures reflect those relevant for the scheme as a whole.

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.

Defined benefit liability numbers for the scheme have been produced using the following assumptions:

	2017	2016
Discount rate	**3.57%**	3.6%
Pensionable salary growth	**n/a**	n/a
Pensions increases (CPI)	**2.41%**	2.2%

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:

Male members' mortality	98% of S1NA ["light"] YoB tables – No age rating
Female members' mortality	99% of S1NA ["light"] YoB tables – rated down 1 year

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

Use of these mortality tables reasonably reflects the actual USS experience. To allow for further improvements in mortality rates the CMI 2014 projections with a 1.5% pa long term rate were also adopted. The current life expectancies on retirement at age 65 are:

	2017	2016
Males currently aged 65 (years)	**24.4**	24.3
Females currently aged 65 (years)	**26.6**	26.5
Males currently aged 45 (years)	**26.5**	26.4
Females currently aged 45 (years)	**29.0**	28.8

	2017	2016
Scheme assets	**£60.0 bn**	£49.8 bn
Total scheme liabilities	**£77.5 bn**	£58.3 bn
FRS 102 total scheme deficit	**£17.5 bn**	£8.5 bn
FRS 102 total funding level	**77%**	85%

19b Pension schemes – defined contribution

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

The total cost charged to the statement of financial activities for the year relating to non-USS pension contributions was £10,347 (2016: £38,580) as shown in note 7.

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

	General unrestricted £	Designated funds £	Restricted funds £	**Total funds £**
Tangible fixed assets	180,927	-	-	**180,927**
Investments	2,445,842	-	-	**2,445,842**
Net current assets	218,142	8,995	-	**227,137**
Provisions for liabilities	(434,006)	-	-	**(434,006)**
Net assets at 31 March 2017	**2,410,905**	**8,995**	**-**	**2,419,900**

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

	General unrestricted £	Designated funds £	Restricted funds £	**Total funds £**
Tangible fixed assets	210,318	-	-	**210,318**
Investments	2,297,402	-	-	**2,297,402**
Net current assets	271,865	30,000	-	**301,865**
Provisions for liabilities	(423,935)	-	-	**(423,935)**
Net assets at 31 March 2016	**2,355,650**	**30,000**	**-**	**2,385,650**

21a Movements in funds (current year)

	At 1 April 2016 £	Income & gains £	Expenditure & losses £	Transfers £	At 31 March 2017 £
Restricted funds:	-	1,156,482	(1,510,192)	353,710	-
Total restricted funds	-	1,156,482	(1,510,192)	353,710	-
Unrestricted funds:					
Designated funds:					
Work experience support fund	10,000	-	-	(1,005)	**8,995**
NIESR building fund	20,000	-	-	(20,000)	-
Total designated funds	30,000	-	-	(21,005)	**8,995**
Fair value reserve	-	-	-	149,479	**149,479**
General funds	2,779,585	1,928,488	(1,540,528)	(472,113)	**2,695,432**
Pension provision	(423,935)	-	-	(10,071)	**(434,006)**
Total unrestricted funds	2,385,650	1,928,488	(1,540,528)	(353,710)	**2,419,900**
Total funds	2,385,650	3,084,970	(3,050,720)	-	**2,419,900**

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

21b Movements in funds (prior year)

	At 1 April 2015 £	Income & gains £	Expenditure & losses £	Transfers £	At 31 March 2016 £
Restricted funds:	-	1,418,339	(1,890,302)	471,963	-
Total restricted funds	-	1,418,339	(1,890,302)	471,963	-
Unrestricted funds:					
Designated funds:					
Work experience support fund	10,000	-	-	-	**10,000**
NIESR building fund	-	-	-	20,000	**20,000**
Total designated funds	10,000	-	-	20,000	**30,000**
Fair value reserve	68,307	-	-	(68,307)	-
General funds	3,132,570	1,728,744	(1,870,695)	(211,034)	**2,779,585**
Pension provision	(211,313)	-	-	(212,622)	**(423,935)**
Total unrestricted funds	2,999,564	1,728,744	(1,870,695)	(471,963)	**2,385,650**
Total funds	2,999,564	3,147,083	(3,760,997)	-	**2,385,650**

21b Movement in funds (prior year) (continued)

Purposes of restricted funds

Restricted funds represent amounts received from funders which have to be used for the specific purpose for which they were given. Restricted income for the year ended 31 March 2017 is set out by source below for all funders contributing in excess of £50,000 of restricted income during the year.

	2017 Total £
Economic and Social Research Council	412,132
Office for National Statistics	258,695
European Commission institutions	153,675
Education Endowment Foundation	144,373
Gatsby Foundation	64,446
Medical Research Council	58,590
Other	64,571
	1,156,482

Purposes of designated funds

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

NIESR building fund: Originally designated as a sinking fund to set aside money for the purposes of major maintenance or renewal of the building, the fund was reviewed during the year and the balance of £20,000 transferred back to general funds in the absence of significant building projects being identified.

22 Reconciliation of net income / (expenditure) to net cash flow from operating activities

	2017 £	2016 £
Net income / (expenditure) for the year (as per the statement of financial activities)	**34,250**	(613,914)
Depreciation charges	**40,284**	50,447
(Gains)/losses on investments	**(363,886)**	157,470
Dividends, interest and rent from investments	**(69,430)**	(92,150)
(Increase)/decrease in debtors	**63,187**	(56,392)
Increase/(decrease) in creditors	**138,852**	(187,901)
Increase/(decrease) in provisions for liabilities	**10,071**	212,622
Net cash provided by / (used in) operating activities	**(146,672)**	(529,818)

23 Analysis of cash and cash equivalents

	At 1 April 2016 £	Cash flows £	Other changes £	**At 31 March 2017 £**
Cash at bank and in hand	304,984	127,311	-	**432,295**
Cash held within investments	35,025	206,016	-	**241,041**
Total cash and cash equivalents	340,009	333,327	-	**673,336**

24 Prior year adjustments

Group

Reserves position	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
		31 March 2016			1 April 2015	
	£	£	£	£	£	£
Funds previously reported	2,809,585	-	**2,809,585**	3,210,877	-	**3,210,877**
Adjustments on restatement						
USS provision	(423,935)	-	**(423,935)**	(211,313)	-	**(211,313)**
Funds restated	2,385,650	-	**2,385,650**	2,999,564	-	**2,999,564**

	Unrestricted	Restricted	Total
		31 March 2016	
Impact on income and expenditure	£	£	£
Net expenditure as previously reported	(401,292)	-	**(401,292)**
Adjustments on restatement			
Movement in USS provision	(212,622)	-	**(212,622)**
Net expenditure as restated	(613,914)	-	**(613,914)**

USS deficit recovery plan provision
During the year the charity reviewed its obligations in relation to USS. This has lead to the recognition of a provision in the balance sheet representing the discounted value of the future commitment to the USS deficit recovery plan. This has been treated as a prior year adjustment with the opening reserves at 1 April 2015 reduced by £211,313. Changes to the discounted value are recognised as an adjustment to expenditure with an additional expenditure amount of £212,622 included in the restated statement of financial activities for the year ended 31 March 2016 giving a total restatement of reserves at 1 April 2016 of £423,935.

Publication income
During the year the charity reviewed the accounting treatment for its publications contract in relation to income and associated expenditure from sales of the National Institute Economic Review. As NIESR owns the publication is was decided to report the gross sales income and expenditure, including the fees payable to the publisher, in the financial statements. Previously this was reported on a net royalty receipts basis. Given the materiality of this change in accounting treatment, this has resulted in a prior year adjustment with both publications income and expenditure for the year ended 31 March 2016 increased by £79,035. As these amounts net out there has been no impact on the results for the subsidiary, the donation of profit to the parent charity, and the brought forward reserves position.

24 Prior year adjustments (continued)

Charity

Reserves position	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
		31 March 2016			1 April 2015	
	£	£	£	£	£	£
Funds previously reported	2,702,743	-	**2,702,743**	3,210,877	-	**3,210,877**
Adjustments on restatement						
USS provision	(423,935)	-	**(423,935)**	(211,313)	-	**(211,313)**
Incorrect intercompany creditor	104,842	-	**104,842**	-	-	-
Investments correction	2,002	-	**2,002**	-	-	-
Funds restated	2,385,652	-	**2,385,652**	2,999,564	-	**2,999,564**

	Unrestricted	Restricted	Total
		31 March 2016	
Impact on income and expenditure	£	£	£
Net income / (expenditure) as	(506,135)	-	**(506,135)**
Adjustments on restatement			
Movement in USS provision	(212,622)	-	**(212,622)**
Net income / (expenditure) as	(718,757)	-	**(718,757)**

USS deficit recovery plan provision

As per the group above.

Incorrect intercompany creditor

The gift aid payable amount of £104,843 representing the profit of NIESR Services Limited for the year ended 31 March 2016 was not reflected in the balance sheet correctly in the consolidated report and financial statements of the prior year. This has been restated in the charity balance sheet comparatives.

Investments correction

In the balance sheet of consolidated report and financial statements of the prior year, group investments were stated as £2,000 higher than the charity's when in fact the charity investments were £2 higher than the group, representing the £2 investment in the subsidiary which is cancelled out upon consolidation. This has been restated in the charity balance sheet comparatives.