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

Report and Financial Statements
Registered company number: 341010
Charity number: 306083
31 March 2022

Contents

Reference and administrative information	1
Trustees’ annual report	2
Trustees’ responsibilities	17
Independent auditor's report	18
Statement of financial activities	22
Balance sheet	23
Statement of cash flows	24
Notes to the Financial Statements	25

National Institute of Economic and Social Research

REFERENCE AND ADMINISTRATIVE INFORMATION

Chief Executive/ Director
Professor Jagjit Chadha (OBE)

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

Company Number: 341010 – incorporated in the United Kingdom

Charity Number: 306083 – registered in England and Wales

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

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

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

TRUSTEES' REPORT

The Trustees, who are also directors of the Charity, are pleased to present their annual Trustees' report together with the financial statements of the charity for the year ended 31 March 2022, 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).

OBJECT AND ACTIVITIES

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

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

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

- The pursuit and delivery of a wide variety of research projects on topics of contemporary interest to policymakers, business and third sector leaders, and academic audiences.
- The development and distribution of the National Institute's Global Econometric Model ("NiGEM") which contributes to the wider understanding of the working of the domestic and global 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, providing revenue to support our charitable objectives.
- The dissemination of research findings, through a variety of events and networks, and publication of the *National Institute Economic Outlooks, Occasional Papers and the National Institute Economic Review*.
- Engagement in relevant social and economic policy debates from a position of intellectually robust, independent expertise.

The Institute carries out these activities by:

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

- Developing and maintaining relationships with our research funders, model subscribers, corporate sponsors, collaborators and the owners and commissioners of relevant data sets.
- Generating sufficient income from research funding and other sources to finance the Institute's operations and long-term development, with the support of the Council of Management, to continue to deliver our charitable mission.
- Disseminating our research findings to our stakeholders in government, the media and the public.
  - This will be done via a range of media channels, including traditional publications and broadcast media, as well as via the internet and social media to reach as wide an audience as possible, nationally and internationally.
  - Encouraging staff involvement in academic activities such as journal publication, serving public bodies nationally and internationally, supporting the research of others in the University sector and more broadly, as well as contributing to the activities of Government and the political process in an expert capacity.

PUBLIC BENEFIT

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

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

To serve the public benefit, we maintain a high reputation for the independence and quality of our research, and invest in several outreach activities, including working with other organisations in the charitable and educational sectors. 2021-22 was our third full year of funding through the Impact acceleration Account scheme of the Economic and Social Research Council. NIESR is one of only two institutions outside the university sector to receive such recognition. We have sought to bring our work to new, non-academic audience, including the establishment of a new Business Conditions Forum, the development of a new, extensive *Economic Outlook* publication for the UK. Further details of our communication and impact activities can be found in the overview of the year below.

This year we have continued to develop University Partnerships with the Universities of Glasgow and Cardiff focussing on matching our ability to provide impact for research to the resources for world class research embedded within university structures. Our sectoral (dynamic sectoral model) and household level (LINDA) models accompany a suite of trackers examining developments in the UK and global economy. Indeed, the Institute has embarked on a project to develop a regional set of models, 'NiREMs', that will allow us to assess the progress of the country towards the 'levelling up' agenda.

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

FUNDRAISING

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

ACHIEVEMENTS & PERFORMANCE

Overview

In 2021-2022, NIESR continued to operate at the forefront of applied policy research; helping to shape the policy agenda and provide accurate, authoritative analysis of economic and social developments in the UK and abroad. A highlight of the financial year was the awarding of the Officer of the Order of the British Empire (OBE), in recognition of his services to economics and economic policy, to our Director, Jagjit S. Chadha in the Queen's Birthday Honours. In addition, our Deputy Director, Adrian Pabst, was elected as a Fellow of the Academy of Social Sciences (FAcSS).

Stakeholder Engagement

With a growing need, due to the pandemic and changing use of technology, to have a modern, dynamic digital presence, the financial year 2021-22 saw us invest in a new website and integrated CRM system. Both systems have had a transformational effect on the way the institute engages with its key audiences and generates policy impact with its research findings. Core to these projects was the need to integrate the different platforms that are used in the management of NiGEM subscribers, our corporate members, governors, and research fellows to build a 'single source of truth', as well as ensure that the relevant research and publications can be easily located and disseminated. Our CRM platform launched in June 2021 and the new website, after just under six months of development, launched in December 2021.

Our profile across social media continued to grow, with Twitter being by far our most popular channel. Over the financial year we added 1,259 followers on Twitter and 2,000 on LinkedIn (a 9% increase on Twitter and a 27% increase on LinkedIn). Engagement rates continue to be above average across both platforms.

Utilising funding from the Impact Acceleration Account (IAA) grant, we continued to provide a platform for economists from organisations covering a cross-section of the business community to meet and discuss some key issues. Taking place online, the quarterly Business Conditions Forum covered topics ranging from trade through to climate change, the levelling-up agenda, and the post-Covid-19 recovery plan. It is our intention to develop these opportunities in the coming financial year through a separate forum focused on our public policy research.

We also continued to build links with our academic colleagues by signing one further university partnership agreement with Cardiff University, as well as our sister research organisation – The Economic and Social Research Institute (ESRI) in Ireland. These two agreements complement our existing agreement with the University of Glasgow, which was signed the previous financial year and involve the development of regional models for Wales and Northern Ireland respectively, as well as internships and possible shared research. Work is ongoing on all these projects, with initial findings shared through the publication of our quarterly UK Economic Outlook.

These quarterly economic outlooks, which, rather than being integrated into the National Institute Economic Review (NIER), were launched as standalone publications have provided us with the opportunity to gain significant traction amongst policymakers and senior government officials. During this financial year researchers have presented the key findings of these documents to representatives of the FCDO, BEIS and HM Treasury, as well as the Shadow Chancellor's office, the Scottish government, the OECD, IMF, OBR. They also used the insights gained to inform the three evidence sessions for the Treasury Select Committee.

Press and Media Relations

Our analysis and commentary on current economic and social issues continued to receive high profile coverage across all major print and broadcast outlets. Notable highlights include the publication of our occasional paper into fiscal frameworks, the launch of the Productivity Commission and the release of the Levelling Up white paper.

With the creation of standalone quarterly economic forecasts, considerable work has taken place this year to ensure that their release becomes firmly embedded in the media calendar. We have, with this, enjoyed considerable success with their findings receiving significant attention and high levels of reach across both national and international print and broadcast media.

Strategically, we have had some success by focusing on providing opinion pieces and long-format articles to expand our position on key topics. This has resulted in pieces being published across both mainstream and specialist media, including Prospect Magazine; The Spectator; Central Banking; The Financial Times; The Times; The Guardian; The Independent, Schools Week and Times Educational Supplement (TES).

Events

Our events calendar continued to be mainly online, in part due to the continued uncertainty regarding the pandemic and the ongoing works at 2 Dean Trench Street. Whilst limiting the physical interactions we have been able to have, it has, however, enabled us to reach a broader audience than previously with registrations and attendances at events well above pre-pandemic levels. How we continue to build on this as we transition back to a more office-based environment and hybrid working will be one of the priorities for the next financial year.

Some highlights from this year's events calendar include:

- A workshop on the economics and politics of productivity with Professor Tim Besley as a keynote speaker

- Our inaugural Parliamentary Lecture in April 2021, with Jon Cruddas MP discussing the dignity of labour
- The hosting of the 17th Euroframe conference on economic policy issues in the EU. The focus of this event was climate change, with contributions by Professor Sir Partha Dasgupta and Professor Rick van der Ploeg
- The relaunch, and renaming, of our public lecture on economic measurement – the Deane-Stone Lecture – in recognition of the work of Phyllis Deane, with Professor Sir Ian Diamond speaking on the use of measurement during the Covid-19 pandemic
- The launch of The UK Productivity Commission in September 2021, and its subsequent evidence sessions to explore issues affecting our poor productivity performance
- Our events programme for the ESRC Festival of Social Science, which we used as an opportunity to engage with other organisations holding similar events. These comprise the Economic Observatory, the University of Glasgow, Cardiff University and ESRI.

We held several joint events this year to disseminate the findings of our research and build our network and reach. In September, together with BIT, Demos, the IES and Centre for Aging Better, we hosted an event to explore older workers' experiences of the recruitment process. In October and November, we ran two events with Grant Thornton on carbon taxation and re-opening the economy after lockdown, and in March – together with the MMF – we hosted an all-day conference to mark the 25th anniversary of operational independence and the formation of the Monetary Policy Committee. This included a keynote speech by Ben Broadbent, as well as several individual contributions by both former, and current MPC members.

Priorities for 2022/2023

We seek to influence the emergent policy agenda and provide independent examination of social and economic policies in the UK and beyond. Our objective is to deepen the public understanding of the economic and social issues that affect their lives, helping to shape the policy agenda with our findings.

In line with this, our principal aims for communication and stakeholder engagement in the next financial year are to:

- Continue to actively engage with our broad range of stakeholders through dedicated member events that align with core research themes. We plan to deepen the strong relationships we already have across the spectrum of media, central government, businesses, and academia to inform our own research and ultimately improve understanding.

- Work with our Governors and embryonic Development Committee to seek new income channels and diversify our funding streams. As a small, independent research charity with no core funding, it is vital that we adopt an entrepreneurial approach to revenue-raising and are therefore able to address the questions that matter. The work of our Development Committee and Governors will be vital to us achieving our aim of securing unrestricted funding from individual or corporate donors.

- Build on the significant work undertaken during 2021/2022 to develop our digital channels so that our work reaches a wider audience and achieves a greater level of impact. By investing in some new audio-visual equipment for our Library, we intend to host a greater number of hybrid-style events across our core research themes.

Macroeconomics

The Macroeconomic Modelling and Forecasting Directorate is now led by its Deputy Director, Professor Stephen Millard (February 2022), who replaced Paul Mortimer-Lee, who was overseeing the Directorate following the resignation of Hande Küçük (September 2021). The Directorate undertakes three main activities:

1. Model Development

2. Forecasting and Nowcasting

3. Macroeconomic Research

In the National Institute Global Econometric Model (NiGEM) it maintains one of the world's leading tools for economic modelling. NiGEM continues to be widely licenced, and is used by Finance Ministries, central banks, and corporates on five continents. Our Quarterly UK and Global Economic Outlooks – containing our quarterly forecasts – are widely read and cited in the media. And our research is published in NIESR Discussion, Occasional and Policy Papers as well as high-quality economic journals.

NiGEM

NiGEM continues to be the macro model of choice for institutions all over the world and remains of interest to new potential subscribers. We have been particularly successful in winning projects based on our climate change modelling work using NiGEM. Key to this success is the integral part it plays in the development of alternative climate scenarios by the Network for Greening the Financial.

System (NGFS), with many financial institutions within the NGFS making use of NiGEM for their own climate modelling. Our own work using NiGEM to examine the impact of carbon taxes was published in a special issue of the NIER on the 'Macroeconomics of Climate Change'.

Forecasting and Nowcasting

We remain committed to producing our flagship quarterly forecasts for both the UK and the global economies, together with commentary exploring our views on their current state, how we see them evolving, and the implications for monetary and fiscal policy. Each quarter, these Outlooks are disseminated to the media, economists and wider public. We also produce monthly 'trackers' for GDP, wage inflation and CPI inflation, a quarterly term premium tracker and, until February, a Covid-19 tracker. These trackers involve nowcasting the relevant variables and, in the case of GDP and wage inflation, providing short-term forecasts. We see the area of nowcasting as being one we can further develop moving forward with the goal being a 'one-stop-shop' for nowcasts of a broader set of key macroeconomic variables and NIESR analysis of current macroeconomic conditions.

Research

Over the year we have carried out research projects in various areas, publishing our results in both academic and policy outlets and ensuring that the results are disseminated in such a way as to maximise our impact on policy. Highlights were the work on the 'Health and Social Care Levy' announced in September 2021 (published as a NIESR Policy Paper on 'The New Employment Tax') and the work on the 'Economic Costs of the Russia-Ukraine Conflict' (published as a NIESR Policy Paper), which was launched at an event in NIESR in March 2022 and was widely picked up by the media. In addition, we have carried out research over the year under the auspices of the Economic Statistics Centre of Excellence (ESCoE) and The Productivity Institute (TPI) as well as contributing to the Productivity Commission via Stephen Millard's role as one of the Commissioners.

Policy outreach

A large element of our work involves communicating with policy makers and inviting them to our events, as well as attending and contributing towards their events. Ahead of the October 2021 and March 2022 Economic and Fiscal Outlooks, we participated in Office for Budget Responsibility (OBR) Roundtable Discussions and responded to the Organisation for Economic Co-operation and Development's (OECD) questionnaire to inform their UK economic outlook. We also met with the International Monetary Fund's (IMF) Article IV team ahead of their visit to the UK. Core to our wider mission is the production of timely responses to UK fiscal events. Following both the 27 October Budget and the 23 March Spring Statement, we published carefully considered and comprehensive review of the major announcements, including an opinion on how they would impact households and sectors. Relatedly, Stephen Millard gave evidence to the Treasury Select Committee at their examination of the level of the current UK tax burden on 29 February.

Priorities for 2022-23

In line with NIESR's overall strategy, our priorities for the coming year are:

- Improve policymaker, expert and public understanding of the main factors driving the UK and world economies.
- Become a centre of modelling excellence by developing our suite of models, together with our forecasting and nowcasting capabilities, to assess and shape policymaking.
- Actively engage with all our stakeholders and raise awareness of our research work through the dissemination of the findings with the objective of influencing policy.

Public Policy

The Public Policy team led by its Deputy Director, Professor Adrian Pabst, focuses on four research and policy areas:

1. Regional and household-level analysis
2. Education and skills
3. Productivity and trade
4. Public understanding of economics

Drawing on NiGEM, the team is deploying NIESR's household model LINDA (Lifetime Income Distributional Analysis) and the regional model NiREMs to understand the nature of the cost-of-living crisis and of deepening disparities between and within the UK's regions. Our analysis of this area within a dedicated chapter of the quarterly UK Economic Outlook, has had significant traction in the national and international media and shaped the policy debate on support measures for the poorest and for household that struggle to make ends meet.

Our researchers have engaged in policy outreach and possess a proven track record of winning tenders and research bids. They publish articles widely in top-ranked social science journals as well as research monographs – including one published by Routledge in April 2022 and two signed book contracts (with Cambridge University Press (CUP) and with Palgrave Macmillan).

Regional and household-level analysis

Our work has tracked how the devolved nations of Scotland, Wales, and Northern Ireland, as well as the English regions, are evolving in terms of economic output, productivity, employment, and inactivity. Among the key findings are growing gaps not only between regions but also within them (e.g., pockets of deprivation in London and the Southeast) and specific features of the Scottish economy (employment bounce after COP-26), the Welsh economy (high and rising levels of inactivity) and the Northern Irish economy (the benefits of the NI Protocol).

We have analysed the conditions of households across the income distribution, highlighting the increase in poverty and destitution resulting from Covid and then the cost-of-living crisis. What we have found is that the poorest 5 million required targeted assistance such as an uplift of Universal Credit of £20 during the pandemic and the lower income households that struggle to make ends meet and must choose between eating and heating. This work has drawn on, and developed, our household-level model LINDA, which was also used for projects on wealth taxation and progressive consumption taxes, as well as projects on the costs and benefits of gambling.

Education and skills

Our research has examined the continuous impact of Covid-19 on the educational sector from early years provision through primary and secondary schools to university and vocational training. The adverse consequences of lockdowns on early years settings and on schools encompass scarring effects for children and pupils (both in terms of their formal learning outcomes and their socioemotional development) and for the productivity of teachers and parents who had to home-school. One of the key findings was that, in the absence of further catch-up measures, lifetime earning losses would range between £8,000 and £22,000.

The other focus of our work has been on evaluating school programmes, including specific support measures for working parents and Designated Safeguarding Leads in schools, which have involved conducting hundreds of interviews with teachers in schools and social workers. This evaluative work is shaping policy debates at level of central government, local authorities, and individual educational establishments.

Productivity and trade

As a core partner of TPI, our research on productivity has focused on two dimensions: one is on geography and place and the other is on governance and the institutions. Whilst the former has examined FDI and regional aspects, with a paper by two Public Policy researchers quoted in the Levelling Up White Paper which was published on 2 February 2022, the latter has explored institutional and policy churn and alternative arrangements to the UK's centralised system of economic and political governance. We have analysed how the politics and policies of productivity contribute to the poor productivity performance and which policy and institutional changes are required to improve the UK's situation: reducing the gaps in the local/regional markets, the skills base, and the ecology of institutions at national, regional and local levels.

Moreover, we have conducted research collecting and analysing evidence about the causes and consequences of the UK's flatlining productivity growth since the financial crash in 2007 as part of the Productivity Commission and Adrian Pabst's role as one of the Commissioners, for example the stark finding that if productivity had continued to grow at two per cent per year in the last decade, it would have meant an extra £5,000 per worker per year on average.

Public understanding of economics

We have continued to explore how the public engage with economic statistics and how economists can improve the public understanding of economics, including ESCoE-funded work together with colleagues at the Bank of England and others involving qualitative research on data such as GDP growth. Other work has focused on inflation and the cost-of-living crisis, which encompasses videos filmed with Finance Unlocked to reach new audiences, as well as IAA-supported print, broadcast, and online media.

Priorities for 2022-23

Improve policymaker, expert and public understanding of the main factors driving the UK and world economies by producing reports for government departments and on topical issues such as gambling reform, together with our school's evaluation work and projects with the Low Pay Commission. The team also makes a significant contribution to our quarterly UK Economic Outlook, with the dedicated chapter on household analysis getting substantial traction in the media and among policymakers.

Become a centre of modelling excellence by developing our suite of models, together with our forecasting and nowcasting capabilities, to assess and shape policymaking. We will continue to work with colleagues on the development and integration of three models (LINDA, NiREMs and NiSEM) to assist in our modelling of inter-regional and inter-sectoral spill overs, as well as understand how changes in household finances affect consumption and growth in different parts of the country.

Actively engage with all our stakeholders and raise awareness of our research work through the dissemination of the findings with the objective of influencing policy.

The Institute is working towards a revised strategy that will increase the visible impact of its work, whilst at the same time enhancing its reputation for academic excellence.

To support this the Deputy Directors are providing the Director with increased capacity to explore new opportunities to expand the work of the Institute in line with our strategy. The Head of External Affairs has brought both Communications and Marketing expertise to the Institute and a new Chief Financial Officer was appointed to manage the development of both Finance and Operations to support the Institute's strategy.

The remedial works to the building are continuing next year – Phase I should be completed in September 2022 though some minor works remain. Phase II should be completed by the end of March 2023 at a budget of £450k.

RISK MANAGEMENT

The Institute Risk Register is kept under regular review by management and the Trustees, through internal monitoring, and the oversight provided by the Audit, Risk and Ethics Committee (AREC). These processes have covered both short- and long-term risks

There was a deep dive on commercialisation of NIESR products and reviewed the Risk Register. Whilst it was not considered necessary to add new specific risk in response to the risks involved, it was agreed that more emphasis should be placed on business continuity issues. Mitigations to risks in the category of academic reputation, financial sustainability and IT provisions have been strengthened in this regard.

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

FINANCIAL REVIEW

The full year result, excluding gains on investment was a loss of £1,546m; partly due to the increase in the USS deficit recovery provision (£952k) and partly the effect of the pandemic which had not been reflected in the original budget. The value of investments has also continued to improve (currently £2,639K) of which £250k was withdrawn for building remedial works.

Statement of Financial Activities

The Statement of Financial Activities (SoFA) for the year shows a loss, before investment portfolio revaluations, of £1,546,115 (2021: loss £195,161) arising from gross unrestricted income of £1,812,690 (2021: £1,613,589) and £2,803,646 of restricted income (2021: £3,648,749).

This year's financial statement includes an increase of £951,963 in the provision for the Universities Superannuation Scheme Deficit Recovery Plan which has been extended from 6 years to 16 years. Excluding the movement in the USS deficit provision and unrealised gains/losses on investments, the Institute recorded a net deficit for the year of £594,552 of which we had an exceptional building remedial cost of £592k (2020: deficit of £201,268) as set out in the following table:

	2021-2022 £	2020-2021 £	2019-2020 £	2018-2019 £
Income				
Fees for research work	3,463,591	4,180,112	4,938,095	3,638,504
Economic model fees	681,196	632,762	590,109	637,609
Publications	184,371	134,099	232,451	225,458
Corporate membership	164,198	153,437	104,605	96,562
Donations and contributions	2,155	33,055	76,836	76,548
Investment income	51,846	53,016	71,466	68,540
Other income	64,979	75,857	71,337	87,917
	4,616,336	**5,262,338**	**6,084,899**	**4,831,138**
Expenditure				
Staff costs*	2,795,863	2,746,446	2,752,768	2,692,312
Other expenditure	2,415,025	2,717,160	3,261,355	2,099,094
	5,210,888	**5,463,606**	**6,014,123**	**4,791,406**
Net surplus/(deficit) excluding gain/(loss) on investments and USS deficit provision movement	**(594,552)**	**(201,268)**	**70,776**	**39,732**
Net gains/(losses) on investments	108,550	622,822	(267,456)	88,433
Movement on USS deficit provision	(951,563)	6,107	483,462	(724,117)
Net movement in funds as per the statement of financial activities	(1,437,565)	427,661	286,782	(595,952)

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

Total income for the year to 31 March 2022 has reduced by 12% compared to prior year this was driven by a 17% decrease in income from research work. It should be noted that a proportion of this revenue is passed on to organisations external to the Institute and matched by a corresponding decrease in costs. The costs attributable to grants held and awarded by our host institutions is reflected within “other expenditure” above and set out in note 5 to the financial statements within “fees and other direct costs”. Income from publications has increased from previous years. Analysis of the attributable costs is set out in note 5 to the financial statements.

Expenditure for the year, excluding the movement in the USS pension provision, has decreased by 5%, primarily due to the corresponding decrease in direct research expenses noted above.

Balance Sheet

Cash at bank and in hand decreased by 21% (£336k) during the year to £1,261k this is due to the Rebuilding Macroeconomics centre entering its final year at NIESR with consequent payment of funds to external partners for projects that have completed. There is a related reduction in deferred income which can be seen in note 15 to the accounts.

Debtors have decreased by 37% and this is primarily due to accrued income payments due to external collaborators on ESCoE projects. Over 90% of trade debtors at the end of the year have been received by the time of the report's approval.

Within deferred income of £1,676k, £1,198k represented research projects of which approximately 55% (£921k) related to Rebuilding Macroeconomics (RM) and ESCoE projects.

The level of unrestricted reserves on the balance sheet has decreased to £920k at the end of the year compared to £2,357k at 31 March 2021, with the operational deficit being partly offset by unrealised gains in the investment portfolio.

Included in the balance sheet is a provision for liabilities of £1.6m (31 March 2021: £648k). This represents the contractual obligation in relation to the USS deficit recovery plan, representing the current estimate of deficit contributions of between 2% and 6% of employers USS contributions extended until March 2038.

INVESTMENT POLICY

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

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

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

During the year to 31 March 2022 there was a net increase in the fair value of listed investments of £108,550 (2021: net increase of £622,822).

Reserves policy and going concern

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

• Legal obligations;

• Risks relating to the historic variability of research and trading income;

• Risks relating to the historic variability of investment income;

• Unforeseen day-to-day operational costs; and

• Emergency costs.

The Trustees reviewed these risks and agreed that the Institute will aim to hold free reserves of between £2 - £3,000,000 in an unrestricted general fund. These reserves are subject to annual review by the Trustees and have been specifically reviewed in relation to the forecast cost of the major remedial works in the Dean Trench Street building for the period 2022/23 currently estimated as £0.5m. It has been agreed that the target level of free reserves remains broadly appropriate.

The balance held as unrestricted reserves at 31 March 2022 was £920,305k partly reflecting the £592,000 spent on the remedial works project during the year and partly the increased USS deficit recovery contribution. USS has published a revised plan for the deficit recovery contribution as at 31st March 2022 spread over 16 years in place of the previous plan spread over 7 years based on the funds' deficit as at its last valuation in March 2020. This USS deficit provision of £1,599,579 over the next 16 years, is a much longer period than the 5 years reserves policy is intended to cover and does not include estimated future financial surpluses over the 16- year period. The proportion of expected cash contribution which relates to the next five years amounts to £500,000

Adding back the part of the USS deficit provision relating to years 6-16 of £1,099,579 results in reserves of £2,019,884 at the end of the year. It is likely that the remaining cost of the remedial works will absorb some of these reserves, but it is also expected that the USS fund will undertake a further valuation as at the end of the current 3-year period in March 2023 which will affect the value of NIESR's unrestricted free reserves.

To facilitate the management of short-term cash flow fluctuations, a small amount of the reserves has been invested in easily accessible bank accounts. In view of the above, the Trustees have considered the risks faced by the Institute and conclude that no material uncertainties related to events or conditions that may cast significant doubt over the ability of the Institute to continue as a going concern have been identified

Designated funds

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

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

STRUCTURE, GOVERNANCE AND MANAGEMENT

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

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

The council has four committees, consisting of the following Trustees and executive staff:

- Audit, Risk and Ethics Committee
    - Neil Gaskell (Chair)
    - Tera Allas (resigned 9 December 2021)
    - Keith Mackrell
    - Neville Manuel
    - Jagjit Chadha (Director) in attendance
    - Helen Finely (Chief Financial Officer) in attendance
- Investment Committee
    - Stephen King
    - Professor David Greenaway
    - Giles Keating (co-opted)
    - Jagjit Chadha (Director) in attendance
    - Helen Finely (Chief Financial Officer) in attendance

- Nominations and Remuneration Committee
    - Professor Phillip Brown
    - Professor Nicholas Crafts
    - Alex Baker (Chair)
    - Professor Jill Rubery
    - Jagjit Chadha (Director)
    - Helen Finely (Chief Financial Officer) in attendance
- Development Committee
    - Professor David Greenaway (Chair)
    - Romesh Vaitilingam
    - Professor Jagjit Chadha (in attendance)
    - Neil Lakeland (in attendance)
    - Peter Oppenheimer
    - Doug Thomson

During the year, council established a Development Committee. It pays regard both to the Institute's research independence and its broader reputational and charitable integrity, the Committee will seek to raise funds from donors – individuals, companies and other entities – with the triple objectives of realising the Institute's strategic plan, raising the Institute's impact both academically and with regard to public policy, and bolstering resources for the Institute's future growth and development

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.

STAFFING

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

STATEMENT OF RESPONSIBILITIES OF THE TRUSTEES

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

Company law requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure, of the charity 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the Trustees are aware:

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

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

The trustees' annual report has been approved by the trustees and signed on their behalf by

Professor Nicholas Crafts, Chair

22 September 2022

INDEPENDENT AUDITOR'S REPORT TO THE 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 'charitable company') for the year ended 31 March 2022 which comprise the statement of financial activities, balance sheet, statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 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 charitable company's affairs as at 31 March 2022 and of its 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

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 charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Institute's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

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. The trustees are responsible for the other information contained within the annual report. 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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; and
- 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 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 requires us to report to you if, in our opinion:

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

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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud are set out below.

Capability of the audit in detecting irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- We enquired of management and the audit, risk and ethics committee, which included obtaining and reviewing supporting documentation, concerning the Institute's policies and procedures relating to:
- Identifying, evaluating, and complying with laws and regulations and whether they were aware of any instances of non-compliance;
- Detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected, or alleged fraud;
- The internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.
- We inspected the minutes of meetings of those charged with governance.
- We obtained an understanding of the legal and regulatory framework that the Institute operates in, focusing on those laws and regulations that had a material effect on the financial statements or that had a fundamental effect on the operations of the Institute from our professional and sector experience.
- We communicated applicable laws and regulations throughout the audit team and remained alert to any indications of non-compliance throughout the audit.
- We reviewed any reports made to regulators.

- We reviewed the financial statement disclosures and tested these to supporting documentation to assess compliance with applicable laws and regulations.
- We performed analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud.
- In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments, assessed whether the judgements made in making accounting estimates are indicative of a potential bias and tested significant transactions that are unusual or those outside the normal course of business.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the charitable company's members as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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.

Sayer Vincent LLP

Judith Miller (Senior statutory auditor)
9 November 2022.
for and on behalf of Sayer Vincent LLP, Statutory Auditor
Invicta House, 108-114 Golden Lane, LONDON, EC1Y 0TL

The National Institute of Economic and Social Research

Statement of financial activities (incorporating an income and expenditure account)

For the year ended 31 March 2022

	Note	2022 Unrestricted £	2022 Restricted £	**2022 Total £**	2021 Unrestricted £	2021 Restricted £	2021 Total £
Income from:							
Donations and contributions		2,155	–	**2,155**	33,055	–	33,055
Charitable activities	2						
Research work		659,945	2,803,646	**3,463,591**	531,363	3,648,749	4,180,112
Econometric model		681,196	–	**681,196**	632,762	–	632,762
Publications		184,371	–	**184,371**	134,099	–	134,099
Other trading activities	3	233,177	–	**233,177**	229,294	–	229,294
Investments	4	51,846	–	**51,846**	53,016	–	53,016
Total income		1,812,690	2,803,646	**4,616,336**	1,613,589	3,648,749	5,262,338
Expenditure on:							
Charitable activities							
Research work		2,276,850	2,506,440	**4,783,290**	1,242,490	3,375,484	4,617,974
Econometric model		714,384	–	**714,384**	495,024	–	495,024
Publications		596,237	–	**596,237**	273,082	–	273,082
Other trading activities		63,422	–	**63,422**	65,901	–	65,901
Investment management		5,118	–	**5,118**	5,518	–	5,518
Total expenditure	5a	3,656,011	2,506,440	**6,162,451**	2,082,015	3,375,484	5,457,499
Net (expenditure)/income before net gains on investments		(1,843,321)	297,206	**(1,546,115)**	(468,426)	273,265	(195,161)
Net gains on investments		108,550	–	**108,550**	622,822	–	622,822
Net (expenditure)/income for the year	6	(1,734,771)	297,206	**(1,437,565)**	154,396	273,265	427,661
Transfers between funds		297,206	(297,206)	–	273,265	(273,265)	–
Net movement in funds		(1,437,565)	–	**(1,437,565)**	427,661	–	427,661
Reconciliation of funds:	20a						
Total funds brought forward		2,357,870	–	**2,357,870**	1,930,209	–	1,930,209
Total funds carried forward		920,305	–	**920,305**	2,357,870	–	2,357,870

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 20a to the financial statements.

Balance sheet

Company no. 0341010

As at 31 March 2022

	Note	2022 £	2021 £
Fixed assets:			
Tangible assets	11	193,101	137,645
Investments	12	2,638,822	2,801,515
		2,831,923	2,939,160
Current assets:			
Debtors	14	1,051,688	1,673,577
Cash at bank and in hand		1,260,993	1,597,128
		2,312,681	3,270,705
Liabilities:			
Creditors: amounts falling due within one year	15	(2,624,720)	(3,203,979)
Net current (liabilities)/assets		(312,039)	66,726
Total assets less current liabilities		2,519,884	3,005,886
Provisions for liabilities	17	(1,599,579)	(648,016)
Total net assets	19a	920,305	2,357,870
Funds:	20a		
Restricted income funds		–	–
Unrestricted income funds:			
Designated funds		8,995	8,995
General funds		2,510,889	2,996,891
Total unrestricted funds excluding pension provision		2,519,884	3,005,886
Pension provision		(1,599,579)	(648,016)
Total unrestricted funds		920,305	2,357,870
Total funds		920,305	2,357,870

Approved by the Trustees and signed on their behalf by

N. F. R. Crafts

Professor Nicholas Crafts
Chair, Council of Management

Date: 22 September 2022

Statement of cash flows

For the year ended 31 March 2022

	Note	2022 £	2022 £	2021 £	2021 £
Cash flows from operating activities					
Net (expenditure)/income for the year (as per the statement of financial activities)		(1,437,565)		427,661	
Depreciation charges		11,583		9,342	
Losses on disposal of fixed assets		–		11,134	
(Gains) on investments		(108,550)		(622,822)	
Dividends, interest and rent from investments		(51,846)		(53,016)	
Decrease/(increase) in debtors		621,889		(377,372)	
(Decrease)/increase in creditors		(579,259)		19,481	
Increase/(decrease) in provisions for liabilities		951,563		(6,107)	
Net cash used in operating activities			(592,185)		(591,699)
Cash flows from investing activities:					
Dividends, interest and rents from investments		51,846		53,016	
Purchase of fixed assets		(67,039)		–	
Sale of investments		526,467		13,743	
Net cash provided by investing activities			511,274		66,759
Change in cash and cash equivalents in the year			(80,911)		(524,940)
Cash and cash equivalents at the beginning of the year			1,616,314		2,141,254
Cash and cash equivalents at the end of the year			1,535,403		1,616,314

	At 1 April 2021 £	Cash flows £	Other changes £	At 31 March 2022 £
Cash at bank and in hand	1,597,128	(336,135)	–	1,260,993
Cash held within investments	19,186	255,224	–	274,410
Total cash and cash equivalents	1,616,314	(80,911)	–	1,535,403

1 Accounting policies

a) Statutory information

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

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

b) Basis of preparation

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

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

In applying the financial reporting framework, the trustees have made a number of subjective judgements, for example in respect of significant accounting estimates. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The nature of the estimation means the actual outcomes could differ from those estimates. Any significant estimates and judgements affecting these financial statements are detailed within the relevant accounting policy below.

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.

The unrestricted deficit relates to the negative movement in the USS deficit recovery provision which will crystallise over the next 16 years. The annual cost is forecast to be similar to that incurred in the year 2020/21. The Trustees agree the liquid investments can be drawn upon to support working capital as necessary, therefore see the charity as a going concern.

e) Income

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

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

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

f) Interest and dividends receivable

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

g) Fund accounting

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

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

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

1 **Accounting policies (continued)**

h) Expenditure and irrecoverable VAT

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

- Expenditure on charitable activities includes the costs of research work, the provision of our econometric model and the provision of our quarterly review, and their associated support costs.

- Other expenditure includes the cost of management of our investment portfolio and other trading activities, including costs associated with corporate membership, rental and other income.

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

i) Allocation of support costs

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

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

	2022	2021
• Research work	**72.7%**	77.4%
• Econometric model	**14.8%**	12.7%
• Publications	**11.0%**	7.6%
• Other trading activities	**1.4%**	2.1%
• Investment management	**0.1%**	0.2%

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

j) Tangible fixed assets

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

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

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

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

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

k) Listed investments

Investments are a form of basic financial instrument and are initially recognised at their transaction value and subsequently measured at their fair value as at the balance sheet date using the closing quoted market price. Any change in fair value will be recognised in the statement of financial activities. 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.

1 Accounting policies (continued)

l) **Investments in subsidiaries**
Investments in subsidiaries are at cost.

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

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

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

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

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

r) **Pensions**
The charity participates in Universities Superannuation Scheme. The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the assets are not attributed to individual institutions and a scheme-wide contribution rate is set. The institution is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. As required by Section 28 of FRS 102 "Employee benefits", the institution therefore accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme. Since the institution has entered into an agreement (the Recovery Plan) that determines how each employer within the scheme will fund the overall deficit, the institution recognises a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) with related expenses being recognised through the profit and loss account.

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

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

2 Income from charitable activities

	Unrestricted £	Restricted £	2022 Total £	Unrestricted £	Restricted £	2021 Total £
Research work						
Government	291,171	1,453,075	**1,744,246**	299,065	1,299,500	1,598,565
Research Councils	–	828,258	**828,258**	–	2,009,651	2,009,651
Trusts & Foundations	32,086	374,501	**406,587**	70,693	297,009	367,702
European Commission institutions	13,757	–	**13,757**	25,523	–	25,523
Other	322,931	147,812	**470,743**	136,082	42,589	178,671
Sub-total	659,945	2,803,646	**3,463,591**	531,363	3,648,749	4,180,112
Econometric model fees						
Subscriptions	681,196	–	**681,196**	632,762	–	632,762
Sub-total	681,196	–	**681,196**	632,762	–	632,762
Publications						
Sales and other	184,371	–	**184,371**	134,099	–	134,099
Sub-total	184,371	–	**184,371**	134,099	–	134,099
Total income from charitable activities	1,525,512	2,803,646	**4,329,158**	1,298,224	3,648,749	4,946,973

3 Income from other trading activities

	2022 Total £	2021 Total £
Corporate membership	**164,198**	153,437
Room rental	**24,543**	21,231
Other income	**44,436**	54,626
	233,177	229,294

All income from other trading activities is unrestricted.

4 Income from investments

	2022 Total £	2021 Total £
Dividends	**51,846**	53,002
Bank interest	–	14
	51,846	53,016

All income from investments is unrestricted.

5a Analysis of expenditure (current year)

	Raising funds		Charitable activities						
	Investment management £	Other trading activities £	Publications £	Econometric model £	Research work £	Governance costs £	Support costs £	**2022 Total £**	2021 Total £
Staff costs (Note 7)	3,467	42,959	347,756	469,493	2,297,356	–	586,395	**3,747,426**	2,740,339
Fees and other direct costs	–	–	82,708	2,026	1,320,530	–	–	**1,405,264**	2,111,049
Travel and subsistence	–	–	121	–	16,870	217	325	**17,533**	3,910
Books and journals	–	–	–	–	220	–	25,850	**26,070**	22,278
Research materials	–	–	–	18,307	34,932	–	–	**53,239**	100,404
Sundry expenses	–	–	–	144	16,009	12,888	115,236	**144,277**	192,385
Premises	–	–	–	–	–	–	643,861	**643,861**	116,638
IT	–	–	–	772	3,035	–	71,163	**74,970**	131,672
Professional fees	–	–	–	–	–	16,263	18,931	**35,194**	25,997
Depreciation	–	–	–	–	–	–	11,583	**11,583**	9,342
Finance costs and bad debts	–	–	–	–	–	–	3,034	**3,034**	3,485
	3,467	42,959	430,585	490,742	3,688,952	29,368	1,476,378	**6,162,451**	5,457,499
Support costs	1,619	20,064	162,421	219,280	1,072,994	–	(1,476,378)	**–**	–
Governance costs	32	399	3,231	4,362	21,344	(29,368)	–	**–**	–
Total expenditure 2022	**5,118**	**63,422**	**596,237**	**714,384**	**4,783,290**	**–**	**–**	**6,162,451**	
Total expenditure 2021	5,518	65,901	273,082	495,024	4,617,974	–	–		5,457,499

5b Analysis of expenditure (prior year)

	Raising funds		Charitable activities					
	Investment management £	Other trading activities £	Publications £	Econometric model £	Research work £	Governance costs £	Support costs £	**2021 Total £**
Staff costs (Note 7)	3,875	45,185	168,179	280,111	1,704,805	–	538,184	**2,740,339**
Fees and other direct costs	–	1,500	33,379	1,882	2,074,288	–	–	**2,111,049**
Travel and subsistence	–	–	–	–	4,775	61	(926)	**3,910**
Books and journals	–	–	–	–	–	–	22,278	**22,278**
Research materials	–	–	–	93,218	7,186	–	–	**100,404**
Sundry expenses	–	–	–	291	84,205	4,976	102,913	**192,385**
Premises	–	–	–	–	–	–	116,638	**116,638**
IT	–	–	–	395	17,683	–	113,594	**131,672**
Professional fees	–	–	–	–	–	15,500	10,497	**25,997**
Depreciation	–	–	–	–	–	–	9,342	**9,342**
Finance costs and bad debts	–	–	–	–	–	–	3,485	**3,485**
	3,875	46,685	201,558	375,897	3,892,942	20,537	916,005	**5,457,499**
Support costs	1,607	18,795	69,956	116,515	709,132	–	(916,005)	–
Governance costs	36	421	1,568	2,612	15,900	(20,537)	–	–
Total expenditure 2021	**5,518**	**65,901**	**273,082**	**495,024**	**4,617,974**	**–**	**–**	**5,457,499**

6 Net income / (expenditure) for the year

This is stated after charging:

	2022 £	2021 £
Depreciation	11,583	9,342
Loss on disposal of fixed assets	–	11,134
Auditor's remuneration (excluding VAT):		
Audit	15,800	15,500
Other services	950	900
Foreign exchange losses	1,051	1,228

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

Staff costs were as follows:

	2022 £	2021 £
Salaries and wages	2,115,696	2,156,187
Interim staff costs	126,552	9,854
Social security costs	221,513	228,120
Employer’s contribution to defined contribution pension schemes	28,414	42,614
Employer’s contribution to defined benefit pension schemes	303,688	309,671
Total staff before movement in USS pension provision	2,795,863	2,746,446
Movement in provision for USS pension scheme	951,563	(6,107)
Total staff costs	3,747,426	2,740,339

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

	2022 No.	2021 No.
£60,000 – £69,999	4	3
£70,000 – £79,999	3	1
£80,000 – £89,999	1	1
£90,000 – £99,999	1	1
£110,000 – £119,999	–	1
£150,000 – £159,999	1	1

The key management of the charity comprise the trustees, the Director, two Deputy Directors, Chief Financial Officer and Head of External Affairs. The total employee benefits (including employer's pension contributions and employer's national insurance) of the key management personnel were £573,243 (2021: £457,027). In 2021, the key management of the charity comprised the trustees, the Director, two Deputy Directors, Head of Finance and Chief Operating Officer.

As permitted by the charity’s memorandum and articles of association, the Director is also a member of the Council of Management. During the year, the Director received a salary of £156,840 (2021: £153,000) plus pension benefits of £33,093 (2021: £32,705). No other charity trustees were paid nor received any other benefits from employment with the charity in the year (2021: £nil). No charity trustee received payment for professional or other services supplied to the charity (2021: £nil).

Trustees' expenses represent the payment or reimbursement of travel and subsistence costs and totalled £217 (2021: £60) incurred by 3 (2021: 1) members relating to attendance at meetings of the trustees.

8 Staff numbers

The average number of employees (head count based on number of staff employed and interim management personnel) during the year was 49 (2021: 48).

9 Related party transactions

There are no related party transactions to disclose for 2022 (2021: none).

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

10 Taxation

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

11 Tangible fixed assets

	Freehold property £	Property improvements £	IT and office equipment £	Website £	**Total £**
Cost					
At the start of the year	118,380	106,785	170,258	42,498	**437,921**
Additions in year	–	36,736	30,303	–	**67,039**
Disposals in year	–	–	–	–	**–**
At the end of the year	118,380	143,521	200,561	42,498	**504,960**
Depreciation					
At the start of the year	–	106,785	150,993	42,498	**300,276**
Charge for the year	–	328	11,255	–	**11,583**
At the end of the year	–	107,113	162,248	42,498	**311,859**
Net book value					
At the end of the year	118,380	36,408	38,313	–	**193,101**
At the start of the year	118,380	–	19,265	–	137,645

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

All of the above assets are used for charitable purposes.

12 Investments

	2022 £	2021 £
Fair value at the start of the year	**2,782,327**	2,173,248
Additions at cost	**–**	–
Disposal proceeds	**(526,467)**	(13,743)
Net gain/(loss) on change in fair value	**108,550**	622,822
Listed investments	**2,364,410**	2,782,327
Investment in subsidiary companies	**2**	2
Cash held by investment broker	**274,410**	19,186
Fair value at the end of the year	**2,638,822**	2,801,515

13 Subsidiary undertaking

The charitable owns the whole of the issued ordinary share capital of NIESR Services Limited, a company registered in England (Company number: 04063185, address: 2 Dean Trench Street, London, SW1P 3HE). The company was dormant in both the current and prior accounting periods and hence has not been consolidated into these financial statements. Available profits are distributed under gift aid to the charitable company. The Director of the charitable company is also director of the subsidiary.

14 Debtors

	2022 £	2021 £
Trade debtors	617,416	1,160,427
Prepayments and other debtors	34,860	30,835
Amounts owed from subsidiary undertaking	714	797
Accrued income	398,698	481,518
	1,051,688	1,673,577

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

15 Creditors: amounts falling due within one year

	2022 £	2021 £
Trade creditors	443,411	671,763
Taxation and social security	76,799	175,832
Accruals	428,769	363,178
Deferred income (note 16)	1,675,741	1,993,206
	2,624,720	3,203,979

16 Deferred income

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

	2022 £	2021 £
Econometric model subscriptions	326,123	326,636
Research work	1,198,075	1,492,383
Corporate membership	81,043	101,229
Royalty income	70,500	72,958
Balance at the end of the year	1,675,741	1,993,206

17 Provisions for liabilities

	2022 £	2021 £
Obligation to fund deficit on USS pension		
At the start of the year	**648,016**	654,123
Movement in year	**951,563**	(6,107)
At the end of the year	**1,599,579**	648,016

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 shortfall is expected to be eliminated in 18 years from 31 March 2020 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 considered to be the equivalent of that of a high quality corporate bond.

Deficit recovery contributions due within one year for the charity are £100,352 (2021: £65,149).

18a Pension schemes - Universities Superannuation Scheme (USS)

The total amount charged to the statement of financial activities for the year relating to USS pensions was £1,255,251 (2021: credit of £303,564) as shown in note 7.

The latest available complete actuarial valuation of the Retirement Income Builder is at 31 March 2020 (the valuation date). The next full valuation is due at 31 March 2023.

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

The 2020 valuation was carried out 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 £66.5 billion and the value of the scheme's technical provisions under the implementation of JNC recommendations was £80.6 billion indicating a shortfall of £14.1 billion and a funding ratio of 83%. The key financial assumptions used in the 2020 valuation are described below. More detail is set out in the Statement of Funding Principles. For the 2020 valuation, a 'dual discount rate', was used meaning using separate discount rates pre and post-retirement to work out the current cost of future pension obligations for members paying into their pension and for members that have retired. This notionally allows for a lower-risk investment strategy for assets which back pensions that are being paid, and a higher-risk strategy for assets which back pensions prior to members' retirement. Assuming the scheme remains stable, this means that the overall actual investment strategy can remain more consistent over time than was allowed for in previous valuations, while still giving sufficient security to members' benefits.

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

Pension increases (all subject to a floor of 0.%)	Current pension increases (for both pre- and post-2011 benefits): CPI assumption + 5bps Increases capped at 2.50% CPI assumption - 35bps
Discount rate	Fixed interest gilt yield curve plus: Pre-retirement: 2.75% p.a. Post-retirement 1.00% p.a.

The main demographic assumption used relates to the mortality assumptions. These assumptions are based on analysis of the scheme's experience carried out as part of the 2020 actuarial valuation. The mortality assumptions used in these figures are as follows:

	2018 valuation
Mortality base table	101% of S2PMA 'light' for males and 95% of S3PFA for females
Future improvements to mortality	CMI 2019 with a smoothing parameter of 7.5, and initial addition of 0.50% p.a. and a long-term improvement rate of 1.80% p.a. for males and 1.60% p.a. for females

18a Pension schemes - Universities Superannuation Scheme (USS) (continued)

The current life expectancies on retirement at age 65 are:

	2022	2021
Males currently aged 65 (years)	**24.4**	24.6
Females currently aged 65 (years)	**25.9**	26.1
Males currently aged 45 (years)	**26.3**	26.6
Females currently aged 45 (years)	**27.7**	27.9

The recovery plan in the 2020 actuarial valuation requires employers to make additional contributions towards repairing the deficit. These contributions are 6.2% of salaries from 1 April 2022 to 31 March 2024, increasing to 6.3% from 1 April 2024 to 30 April 2038. This recovery plan aims to recover the deficit over a period slightly over 18 years from the 2020 valuation date.

	2022	2021
Discount rate (pensioners/ non pensioners)	1.4% / 0.7%	2.10%
Pensionable salary growth	n/a	n/a
Pension increases (CPI)	2.20%	2.60%

18b Pension schemes - defined contribution

The charity 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 £28,414 (2021: £42,614) as shown in note 7.

19a Analysis of net assets between funds (current year)

	General unrestricted £	Designated funds £	Restricted funds £	**Total funds £**
Tangible fixed assets	193,101	–	–	**193,101**
Investments	2,638,822	–	–	**2,638,822**
Net current (liabilities)/assets	(321,034)	8,995	–	**(312,039)**
Provisions for liabilities	(1,599,579)	–	–	**(1,599,579)**
Net assets at 31 March 2022	**911,310**	**8,995**	**–**	**920,305**

19b Analysis of net assets between funds (prior year)

	General unrestricted £	Designated funds £	Restricted funds £	**Total funds £**
Tangible fixed assets	137,645	–	–	**137,645**
Investments	2,801,515	–	–	**2,801,515**
Net current assets	57,731	8,995	–	**66,726**
Provisions for liabilities	(648,016)	–	–	**(648,016)**
Net assets at 31 March 2021	**2,348,875**	**8,995**	**–**	**2,357,870**

20a Movements in funds (current year)

	At 1 April 2021 £	Income & gains £	Expenditure & losses £	Transfers £	At 31 March 2022 £
Restricted funds:	–	2,803,646	(2,506,440)	(297,206)	–
Total restricted funds	–	2,803,646	(2,506,440)	(297,206)	–
Unrestricted funds:					
Designated funds:					
Work experience support fund	8,995	–	–	–	**8,995**
Total designated funds	8,995	–	–	–	**8,995**
General funds	2,996,891	1,921,240	(3,656,011)	1,248,769	**2,510,889**
Pension provision	(648,016)	–	–	(951,563)	**(1,599,579)**
Total unrestricted funds	2,357,870	1,921,240	(3,656,011)	297,206	**920,305**
Total funds	2,357,870	4,724,886	(6,162,451)	–	**920,305**

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

20b Movements in funds (prior year)

	At 1 April 2020 £	Income & gains £	Expenditure & losses £	Transfers £	At 31 March 2021 £
Restricted funds:	–	3,648,749	(3,375,484)	(273,265)	–
Total restricted funds	–	3,648,749	(3,375,484)	(273,265)	–
Unrestricted funds:					
Designated funds:					
Work experience support fund	8,995	–	–	–	**8,995**
Total designated funds	8,995	–	–	–	**8,995**
General funds	2,575,337	2,236,411	(2,082,015)	267,158	**2,996,891**
Pension provision	(654,123)	–	–	6,107	**(648,016)**
Total unrestricted funds	1,930,209	2,236,411	(2,082,015)	273,265	**2,357,870**
Total funds	1,930,209	5,885,160	(5,457,499)	–	**2,357,870**

20c Movement in funds (purposes of funds)

Purposes of restricted funds

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

	2022 Total £	2021 Total £
Office for National Statistics	1,453,075	1,299,500
Economic and Social Research Council	828,257	1,959,748
Education Endowment Foundation	206,238	177,124
Nuffield Foundation	134,320	100,374
WWCSC	124,493	–
Financial Fairness Trust	33,824	–
Innovate UK	–	49,902
Leverhulme Trust	–	7,967
Other	23,440	54,134
	2,803,647	3,648,749

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.

21 Legal status of the charity

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