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

Report and Financial Statements

Registered number: 341010
Charity number: 306083
31 March 2023

Contents

REFERENCE AND ADMINISTRATIVE INFORMATION

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Keith Wade (Appointed 29 June 2023)

Chief Executive/ Director
Professor Jagjit Chadha

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
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Bankers
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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 2023, 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 a several outreach activities, including working with other organisations in the charitable and educational sectors. 2022-23 is the fourth and final 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 used by Finance Ministries, central banks, and corporates on five continents. 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

The Institute is midway through its strategy which is designed to increase the visible impact of its work, whilst at the same time enhancing its reputation for academic excellence.

In line with 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 brought both Communications and Marketing expertise to the Institute and the Chief Financial Officer manages the development of both Finance and Operations in support of the Institute's strategy.

Research successes this year include work on the public understanding of economics, the monetary and fiscal framework, early years interventions, measuring well-being and the development of work on climate change.

The repairs to the building have been split into Phases – Phase I was completed in September 2022; with Phase II planned for August 2023. The Trustees are comfortable that the cost of repairs can be funded from the Institute's reserves.

The Institute continues to focus on efficiency and cost control but also to strengthen its remote working policies and environment to ensure that staff continue to be supported during a difficult period. The Institute has also increased its focus on cyber security.

Stakeholder Engagement

In 2021-22, we invested heavily in new technologies to aid dissemination and engagement, we have thus been able to leverage the opportunities so provided to speak to our growing number of stakeholders and share our research findings, increasingly at our in-person events.

The development of dissemination, and the advances in our communications, have contributed to a significant increase in our impact. Our research outputs continue to be widely cited and referenced, with some main topics including Quantitative Easing and Quantitative Tightening, minimum wages and their effect on productivity, trade and foreign investment, and the impact of Brexit. We received 12 mentions in parliamentary debates, mainly around the cost-of-living crisis and its effect on households, but also around the economic impact of the mini-Budget and the long-term effects of Brexit.

On social media, Twitter remains the most popular channel with both our followers, but more importantly our engagement, continuing to grow. This financial year, our engagement rate increased from an average of 5.8% to 7.3% (where typical engagement rates are less than 1%), and on LinkedIn from an average of 5.5% to an average of 6.6%. This is a direct result of the type and variety of content we are sharing, with a greater investment in videos and short-format blog articles that explore topical items.

The reach of the National Institute Economic Review (NIER), published by Cambridge University Press, also continued to grow with issues focused on the political economy of populism and the political economy of devolution and secession. In total, the journal received 50,865 page views, with some of the most popular articles covering the areas of quantitative easing, climate change, Brexit and productivity. Our focus for the coming financial year will be to continue to develop the breadth and quality of the article submissions, and ultimately grow the subscriber base.

Our relations with key policymakers, academia and the business community were enhanced through funding from the ERSC Impact Acceleration Account (IAA) grant, which ended at the end of the 2022-23 financial year. Our focus was thus on maximising the opportunities and ensuring there was a sustainability to the processes we had put in place. The format of our quarterly Members' Roundtable, which took place after the publication of our Economic Outlook, was refreshed and we welcomed a broader set of representatives at the Business Conditions Forum. Additionally, we used IAA funding to present our Outlook analysis in each of the devolved nations, as well as regionally to the Greater Manchester Authority and Greater London Authority.

This higher degree of reach and engagement supported the addition of three new corporate members and growth in the number subscribers to NiGEM, our macroeconomic model. To assist with the latter, a comprehensive research project was undertaken with current subscribers to ascertain future areas for development. Further growth of our membership remains a priority for the next financial year.

Press and Media Relations

In a period, in which the country had four Chancellors of the Exchequer, three Prime Ministers and two monarchs, one thing remained constant: the need for impartial and insightful analysis on the country's main economic challenges.

In May, our UK Economic Outlook highlighted that rising prices were squeezing household budgets. We estimated that 1.5 million households across the UK would face food and energy bills greater than their disposable income. This received significant (over 1,000 broadcast mentions) media interest in its first week of publication, with the findings being put to the Chancellor as part of an ITV interview. Several of our policy proposals were reflected in the support measures announced by the Chancellor on 26 May, 2023. This analysis continued to be a major part of our Outlook for the remainder of the year, with further work highlighting the effects of the energy price cap and the consequences of rising interest rates on mortgage payments.

Our work around Quantitative Easing resulted in front-page coverage on The Financial Times in June, with mentions and interviews on the BBC R4 Today programme, Sky, ITV, as well as in other print media.

Our commentary on the three key fiscal events of this financial year also received much attention. In September, the confusion and turmoil as a consequence of the mini-budget contributed to the extensive coverage across both broadcast (BBC, Sky News, CNN) and print media. This was built upon a few weeks later with the Autumn Statement and, in March 2023, we turned our attention to the Spring Budget.

Strategically we remain focused on providing long-format comment pieces, as well as background briefings to the media on key policy topics. These have been published across both mainstream and specialist media, including *Prospect Magazine*, *Central Banking*, *The Times*, *The Financial Times*, *The New Statesman* and *The Critic*.

Events

The return to in-person events contributed to a 13% increase in the number of events we held this financial year when compared to the previous period. This expansion included topical briefings around major fiscal events, quarterly updates on the UK and global economies and specialist workshops on quantitative easing, the Energy Price Guarantee, a targeted furlough scheme and the economic impacts of climate change. Since these have taken place in-person and online, with recordings shared on our website and social media channels, we have also successfully broadened our reach and are no longer solely London-centric; for our popular quarterly economic forum we receive registrations from all the devolved nations and regions of England.

Some highlights from our calendar include:

- In May we contributed to an event hosted by the UN Environmental Programme (UNEP) on understanding the economic impacts of climate change. This included a presentation of our research findings, conducted with the UNEP, on the importance of short-term scenarios in providing insights on threats to financial stability.

- In November Professor Volker Wieland delivered our Anglo-German Lecture, in which he discussed the impact of the energy crisis on European economies with a particular focus on Germany. That same month, we also welcomed a delegation from the OECD to present their latest forecast for the UK economy.

- In January we hosted a delegation from the Ukrainian Council for Economic Reconstruction at the Institute. We have been working with representatives from the Council since shortly after the Russian invasion, and their visit in January 2023 enabled them to use the convening power of NIESR to meet with policymakers and businesses, as well as present their ideas on the shape of their post-war economy.

- In February, Philip Lane – the Chief Economist of the European Central Bank – delivered our annual Dow Lecture on Macroeconomics to a packed room. Speaking on the impact of the ECB’s rate hiking cycle, Philip explored some of the accumulating evidence about the effect the policy tightening cycle has had on the financial system, the economy and inflation.

Macroeconomics

The Macroeconomic Modelling and Forecasting Directorate, led by its Deputy Director, Professor Stephen Millard, undertakes three main research activities:

1. Model Development
2. Forecasting and Nowcasting
3. Topics in Macroeconomics

The Directorate maintains and uses the National Institute's Global Econometric Model, (NiGEM), one of the world's leading tools for economic modelling. The model allows us to understand and build scenarios on emergent issue such as the impact of Russia's invasion of Ukraine, China's economic slowdown, the impacts of Climate change and the stuttering growth prospects in many advanced economies.

Model Development

This year we set up a 'Models Committee' consisting of six NIESR researchers and six external academic researchers with extensive modelling experience. The main purpose of the committee is to provide an audit of all the models used within NIESR, making clear the various strengths and weaknesses of each model and the purposes for which they can and should be used and propose areas for improvement and development based on this audit. In addition, the committee also seeks to assess NIESR's current modelling and forecasting capability and propose areas for development and improvement. The Committee met four times in 2022-23.

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. This year we published joint research with the United Nations Environment Programme Finance Initiative (UNEP-FI) that used NiGEM to examine the macroeconomic impacts of three new climate-driven macroeconomic shock scenarios: a sudden rise in the carbon price, a spike in oil prices and a trade war.

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, and as assessment of counterfactual policy options. 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 and a quarterly term premium tracker. These trackers involve nowcasting the relevant variables and, in the case of GDP and wage inflation, providing short-term forecasts. We have been asked on a few occasions to comment on data releases in media interviews and our Trackers have provided us with the ability to respond to such requests in a knowledgeable manner and to consider the deployment of frontier modelling techniques.

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 include the paper by Huw Dixon, Jeremy Franklin (Bank of England) and Stephen Millard on 'Sectoral shocks and monetary policy in the UK' published in the Oxford Bulletin of Economics and Statistics and the paper by Kemar Whyte and Yifei Cao (Nottingham University) on 'Corporate tax shield and capital structure' published in the European Journal of Finance. We provided a Special Session at the 2022 Royal Economic Society conference on the 'Economic Costs of the Russia-Ukraine Conflict', which resulted in a Special Issue of The World Economy. We have published a paper in the Economic History Review on the UK Business Cycle. And in all this have continued to act as the main public commentator on monetary and fiscal interactions with substantive comments on the mini-Budget fiasco and the costs of quantitative easing: our plans for next year will include more work on the central bank and public sector balance sheet. In addition, we have carried out research over the year under the auspices of 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 November 2022 and March 2023 Economic and Fiscal Outlooks, we participated in Office for Budget

Responsibility (OBR) Roundtable Discussions. We also met with the International Monetary Fund's (IMF) Article IV team during their visit to the UK. Core to our wider mission is the production of timely responses to UK fiscal events. Following both the 17 November 2022 Autumn Statement and the 15 March 2023 Spring Budget, we published carefully considered and comprehensive review of the major announcements, including an opinion on how they would impact households and sectors. But the highlight was our response to the ill-fated Mini Budget of 23 September 2022, where we were able to provide an impartial analysis of the effects of the announcements at a time when the OBR had asked not to.

Priorities for 2023-24

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

- 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.

- Develop the capability of our staff to inform public debate and awareness of underlying macroeconomic forces

- 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 Directorate, led by its Deputy Director, Professor Adrian Pabst, undertakes four main research activities:

(1) Regional and household-level analysis
(2) Education, skills and wages
(3) Productivity
(4) Inclusion and strategies for well-being.

- Drawing on NiGEM, the team is developing NIESR's household model LINDA (Lifetime Income Distributional Analysis) and the regional model NiREMS (National Institute Regional Economic Modelling System) to analyse the fundamental drivers of the cost-of-living crisis and the persistent disparities between and within the UK's regions.

- Chapter 2 of the quarterly UK Economic Outlook has had significant traction in the national and international media and shaped the policy debate on targeted assistance for the poorest and for household that struggle to get by – including on issues such as policy intervention to help those facing difficulties in meeting their food and energy bills, mortgages repayments and rents.

- Our researchers have a proven track record of winning research grants, foundation bids and tenders. They publish articles in top-ranked economics and other social science journals as well as research monographs – including a monograph on The Constitution of Political Economy by Adrian Pabst together with Roberto Scazzieri which was published in August 2023 by Cambridge University Press.

- The team have also organised been engaged in policy outreach with Greater London Authority and others, such as the Greater Manchester Combined Authority.

Regional and household-level analysis

- Using LINDA and NiReMS, we have examined how the aggregate macro-shocks of inflation have translated at the household and regional level in order to clarify where policy should intervene to reduce inequalities.

- Our work has found that the areas hardest hit by deindustrialisation in the 1980s and the recession following the 2008 financial crash have struggled the most in the face of shocks such as Covid-19 and now the cost-of-living crisis, which has been greatly exacerbated by Russia's invasion of Ukraine.

- The North-East, parts of Wales and Scotland as well as Northern Ireland are not catching up with the prosperous parts of the UK, notably the metropolitan areas of the South-East and strong-performing cities such as Manchester, Glasgow or Edinburgh.

- Our analysis of households shows that the poorest only received more adequate help in November 2022 with the £900 Cost-of-Living payments, while those in income deciles 2-5 lost disproportionately the most: in 2023, they would need on average £4,000 more to have similar living standards to the ones they had in 2021.

- Our models have also helped us explore alternative source of household wealth statistics and the fiscal costs of social problems such as problem gambling.

Education, skills and wages

- We have continued to evaluate school programmes, notably specific support measures for working parents and Designated Safeguarding Leads (DSLs) in schools, which have involved conducting a very wider range of interviews with teachers in schools and with social workers. This evaluation work is shaping policy debates at level of central government, local authorities and individual educational establishments.

- Our research has also focused on the evolution of wages in both the public and the private sector, as well as the question of what the level of the National Minimum Wage and the National Living Wage should be – with submissions to the Low Pay Commission.

Productivity

- As part of The Productivity Institute (TPI) of which NIESR is a key partner organisation, the research on productivity has focused on two areas: one is governance and the institutions and the other is geography and place. The former analyses the nature of the Whitehall model for the politics of productivity and policy-making, as well as the role of Higher Education and Further Education in boosting productivity. The latter explores firm-level aspects, including investment decisions in particular places and the implications for labour productivity in different parts of the UK.

- NIESR also hosts the UK Productivity Commission which examines the causes of the poor productivity performance and proposes policy ideas to improve productivity growth both across the UK and in the regions worst affected by deindustrialisation in the 1980s and the 2008 financial crash. This past year we have focused on the question of underinvestment. From the Public Policy team, Adrian Pabst is one of the Commissioner and Max Harvey is the Commission's Coordinator.

Inclusion and strategies for well-being

- We have conducted work on poverty in relation to energy and food prices, as well as on destitution, including the escalating use of foodbanks and the choices of parents to forgo meals, so that their children can eat three times a day and have heating at home.

- Our research also includes work on the lived experiences of displaced children and young people and a paper on the economic impact of lifting restrictions on the right to work of asylum seekers.

Priorities for 2023-24

- Improve policymaker, expert and public understanding of the main factors driving the UK economy as well as its regions and households. We will continue to contribute in important ways to the UK Economic Outlook, with chapter 2 on household and regional analysis getting significant coverage in the media and traction among policymakers at local, regional, devolved nation and central levels.

- Become a centre of regional and household modelling excellence by developing our models, together with our forecasting capabilities, to assess and shape policy-making. The team will continue to develop three models (LINDA, NiREMS and NiSEM) and work through their integration to be able to do more modelling on inter-regional and inter-sectoral spill-overs, but also how household finances will affect consumption and growth in different parts of the country.

- Actively engage with all our university partners stakeholders and raise the profile of our research work, at home and overseas, through the dissemination of the findings with the aim of influencing policy.

We will achieve this by continuing to contribute to UK Economic Outlook, curating more special issues of the NIER and contributions to our Occasional Paper series and raising our profile in the print, broadcast and online media with incisive interventions on salient and emerging policy questions.

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. During the past year AREC has undertaken deep dive discussions of the risks involved in commercialising NIESR products (with special reference to NiGEM), fund raising and due diligence and recruitment and retention of staff. The Trustees are also aware that overall responsibility for risk issues rests with the full Council. The AREC review of the risk register in March 2023 produced recommendations to Council for updating the register which were approved at its meeting in June 2023.

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 the area of project management and human resources, whilst our continued accreditation under ISO standards provides valuable independent assurance that our systems remain robust.

FINANCIAL REVIEW

The full year result, excluding revaluations of investments and future changes in the USS deficit provision, was a surplus of just over £495k, including the reduction in the USS deficit recovery (£209K) during the year. Research income was approximately £322k more than the previous year. The value of investments is approximately £2,160k at the end of the financial year after draw down of 250K to fund some of the premises phase I building costs.

Statement of Financial Activities

The Statement of Financial Activities (SoFA) for the year shows a surplus, before investment portfolio revaluations, of £786,605 (2022: loss £1,546,115) arising from gross unrestricted income of £1,787,499 (2022: £1,812,690) and £3,202,747 of restricted income (2022: £2,803,646).

This year's financial statements included a reduction in the value of the provision to the fund the deficit on the Universities Superannuation Scheme pension fund as shown in note 17. Primarily due to rising interest rates, the discount rate applied has increased resulting in the provision falling by £499,657 (2022: increased by £951,563). Excluding the movement in the USS deficit provision and unrealised gains/losses on investments, the Institute recorded a net surplus for the year of £600,263 (2022: deficit of £594,552 – largely due to Phase I building works) as set out in the following table:

	2022-2023	2021-2022	2020-2021	2019-2020
	£	£	£	£
Income				
Fees for research work	3,785,918	3,463,591	4,180,112	4,938,095
Economic model fees	728,618	681,196	632,762	590,109
Publications	185,477	184,371	134,099	232,451
Corporate membership	122,897	164,198	153,437	104,605
Donations and contributions	52,650	2,155	33,055	76,836
Investment income	55,027	51,846	53,016	71,466
Other income	59,659	64,979	75,857	71,337
	4,990,246	**4,616,336**	**5,262,338**	**6,084,899**
Expenditure				
Staff costs*	2,691,373	2,795,863	2,746,446	2,752,768
Other expenditure	2,011,925	2,415,025	2,717,160	3,261,355
	4,703,298	**5,210,888**	**5,463,606**	**6,014,123**
Net surplus/(deficit) excluding gain/(loss) on investments and USS deficit provision	**286,948**	**(594,552)**	**(201,268)**	**70,776**
Net gains/(losses) on investments	(186,342)	108,550	622,822	(267,456)
Movement USS deficit provision	499,657	(951,563)	6,107	483,462
Net movement in funds as per the statement of financial activities	600,263	(1,437,565)	427,661	286,782

* 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 2023 has increased by 8% compared to prior year this was driven by a 9% increase 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 increase 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.

Balance Sheet

Cash at bank and in hand increased by 3% (£33k) during the year to £1,294k due to timely invoicing of contract/project work; there was a disposal of investment during the year valued at £250K for Phase I works. There was a reduction in deferred income due to end of the ESCoE grant and work generally paid for in arrears which can be seen in note 15 to the accounts.

Debtors have decreased by 11%, mainly due to reduction in accrued income. Most of trade debtors at the end of the year have been received by the time of the report's approval.

Within deferred income of £920k, £426k represented research projects & £402k represent Macro modelling.

The level of unrestricted reserves on the balance sheet has increased to £1,521k at the end of the year compared to £920k at 31 March 2022.

Included in the balance sheet is a provision for liabilities of £1.1m (31 March 2022: £1.6m). This represents the contractual obligation in relation to the USS deficit recovery plan, representing deficit contributions of between 6.2% and 6.3% of employers USS contributions 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 2023 there was a net decrease in the fair value of listed investments of £186,342 (2022: net increase of £108,550).

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 agree that the Institute will aim to hold free reserves of between £2,000,000 - £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 remaining major remedial works in the Dean Trench Street building over the period 2023/24 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 2023 was £1,520,568 during the year. The USS deficit provision of £1,099,922, payable over the next 15 years, and is funded from regular ongoing employer pension contributions, meaning there is no requirement for a large one-off cash contribution USS has undertaken a new triannual valuation as at 31st March 2023 which will produce an updated contribution scheme on or before June 2024

The proportion of the current provision which relates to the next five years amounts to £408,669. Adding back the part of the USS deficit provision relating to years 6-15 of £691,223 results in unrestricted free reserves of £2,211,791 at the end of the year. It is likely that the remaining cost of the remedial works will absorb some of these 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)
    - Keith Mackrell (Resigned 29 June 2023)
    - Neville Manuel
    - Professor Jagjit Chadha (Director) in attendance
    - Yetunde Aroloye (Chief Financial Officer) in attendance
- Investment Committee
    - Stephen Daryl King
    - Professor David Greenaway (Resigned 25 August 2022)
    - Giles Keating (co-opted)
    - Professor Jagjit Chadha (Director) in attendance
    - Yetunde Aroloye (Chief Financial Officer) in attendance
    - Professor Adrian Pabst (Deputy Director) in attendance
- Nominations and Remuneration Committee
    - Professor Phillip Brown
    - Professor Nicholas Crafts
    - Alex Baker (Chair)
    - Professor Jill Ruberry
    - Professor Jagjit Chadha (Director)
    - Yetunde Aroloye (Chief Financial Officer) in attendance
- Development Committee
    - Kofi Adjepong-Boateng
    - Professor Jagjit Chadha (Director) in attendance
    - Peter Oppenheimer
    - Sir Paul Tucker (President)
    - Romesh Vaitilingam (Chair)

The Development Committee relates to Donations Review Committee (DRC) as part of new procedures established to ensure due diligence and financial transparency in donations received by the Institute.

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

At the end of the period the Institute has a headcount of 51 staff, equivalent to 37 full time employees. The year has seen 15 starters and 19 departures. Of the current staff, 30 were female and 21 male.

Staff turnover figure remain under review by the trustees to ensure that measures put in place continue to have an impact.

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

R. N. Gaskell, Trustee

21 September 2023

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 2023 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 2023 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: https://www.frc.org.uk/auditors/audit-assurance-ethics/auditors-responsibilities-for-the-audit . 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)
Date: 2 October 2023
for and on behalf of Sayer Vincent LLP, Statutory Auditor
Invicta House, 108-114 Golden Lane, LONDON, EC1Y 0TL

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

For the year ended 31 March 2023

	Note	2023 Unrestricted £	2023 Restricted £	**2023 Total £**	2022 Unrestricted £	2022 Restricted £	2022 Total £
Income from:							
Donations and contributions		2,250	50,400	**52,650**	2,155	–	2,155
Charitable activities	2						
Research work		633,571	3,152,347	**3,785,918**	659,945	2,803,646	3,463,591
Econometric model		728,618	–	**728,618**	681,196	–	681,196
Publications		185,477	–	**185,477**	184,371	–	184,371
Other trading activities	3	182,556	–	**182,556**	233,177	–	233,177
Investments	4	55,027	–	**55,027**	51,846	–	51,846
Total income		1,787,499	3,202,747	**4,990,246**	1,812,690	2,803,646	4,616,336
Expenditure on:							
Charitable activities							
Research work		960,180	2,451,385	**3,411,565**	2,276,850	2,506,440	4,783,290
Econometric model		410,129	–	**410,129**	714,384	–	714,384
Publications		343,786	–	**343,786**	596,237	–	596,237
Other trading activities		30,553	–	**30,553**	63,422	–	63,422
Investment management		7,608	–	**7,608**	5,118	–	5,118
Total expenditure	5	1,752,256	2,451,385	**4,203,641**	3,656,011	2,506,440	6,162,451
Net (expenditure)/income before net (losses)/gains on investments		35,243	751,362	**786,605**	(1,843,321)	297,206	(1,546,115)
Net (losses)/gains on investments	12	(186,342)	–	**(186,342)**	108,550	–	108,550
Net (expenditure)/income for the year	6	(151,099)	751,362	**600,263**	(1,734,771)	297,206	(1,437,565)
Transfers between funds		751,362	(751,362)	–	297,206	(297,206)	–
Net movement in funds		600,263	–	**600,263**	(1,437,565)	–	(1,437,565)
Reconciliation of funds:	20a						
Total funds brought forward		920,305	–	**920,305**	2,357,870	–	2,357,970
Total funds carried forward		1,520,568	–	**1,520,568**	920,305	–	920,305

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 2023

	Note	2023 £	2022 £
Fixed assets:			
Tangible assets	11	206,293	193,101
Investments	12	2,160,068	2,638,822
		2,366,361	2,831,923
Current assets:			
Debtors	14	939,611	1,051,688
Cash at bank and in hand		1,293,709	1,260,993
		2,233,320	2,312,681
Liabilities:			
Creditors: amounts falling due within one year	15	(1,979,191)	(2,624,720)
Net current assets/(liabilities)		254,129	(312,039)
Total assets less current liabilities		2,620,490	2,519,884
Provisions for liabilities	17	(1,099,922)	(1,599,579)
Total net assets	19a	1,520,568	920,305
Funds:	20a		
Restricted income funds		–	–
Unrestricted income funds:			
Designated funds		8,995.00	8,995
General funds		2,611,495	2,510,889
Total unrestricted funds excluding pension provision		2,620,490	2,519,884
Pension provision		(1,099,922)	(1,599,579)
Total unrestricted funds		1,520,568	920,305
Total funds		1,520,568	920,305

Approved by the Trustees and signed on their behalf by

R.N. Gaskell

R. N. Gaskell
Trustee

Date: 21 September 2023

The National Institute of Economic and Social Research

Statement of cash flows

For the year ended 31 March 2023

	Note	2023 £	2023 £	2022 £	2022 £
Cash flows from operating activities					
Net income / (expenditure) for the year (as per the statement of financial activities)		600,263		(1,437,565)	
Depreciation charges		25,422		11,583	
Losses/(gains) on investments		186,342		(108,550)	
Dividends, interest and rent from investments		(55,027)		(51,846)	
Decrease in debtors		112,077		621,889	
Decrease in creditors		(645,529)		(579,259)	
Decrease in provisions for liabilities		(499,657)		951,563	
Net cash provided by/(used in) operating activities			(276,109)		(592,185)
Cash flows from investing activities:					
Dividends, interest and rents from investments		55,027		51,846	
Purchase of fixed assets		(38,614)		(67,039)	
Sale of investments		18,764		526,467	
Net cash provided by investing activities			35,177		511,274
Change in cash and cash equivalents in the year			(240,932)		(80,911)
Cash and cash equivalents at the beginning of the year			1,535,403		1,616,314
Cash and cash equivalents at the end of the year			1,294,471		1,535,403

	At 1 April 2022 £	Cash flows £	Other changes £	At 31 March 2023 £
Cash at bank and in hand	1,260,993	32,716	–	1,293,709
Cash held within investments	274,410	(273,648)	–	762
Total cash and cash equivalents	1,535,403	(240,932)	–	1,294,471

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 15 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.

	2023	2022
• Research work	**74.2%**	72.7%
• Econometric model	**14.5%**	14.8%
• Publications	**10.0%**	11.0%
• Other trading activities	**1.2%**	1.4%
• Investment management	**0.1%**	0.1%

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 £	**2023 Total £**	Unrestricted £	Restricted £	2022 Total £
Research work						
Government	301,653	1,668,275	**1,969,928**	291,171	1,453,075	1,744,246
Research Councils	–	736,863	**736,863**	–	828,258	828,258
Trusts & Foundations	–	233,677	**233,677**	32,086	374,501	406,587
European Commission institutions	–	–	**–**	13,757	–	13,757
Other	331,918	513,532	**845,450**	322,931	147,812	470,743
Sub-total	633,571	3,152,347	**3,785,918**	659,945	2,803,646	3,463,591
Econometric model fees						
Subscriptions	728,618	–	**728,618**	681,196	–	681,196
Sub-total	728,618	–	**728,618**	681,196	–	681,196
Publications						
Sales and other	185,477	–	**185,477**	184,371	–	184,371
Sub-total	185,477	–	**185,477**	184,371	–	184,371
Total income from charitable activities	1,547,666	3,152,347	**4,700,013**	1,525,512	2,803,646	4,329,158

3 Income from other trading activities

	2023 Total £	2022 Total £
Corporate membership	**122,897**	164,198
Room rental	**30,562**	24,543
Other income	**29,097**	44,436
	182,556	233,177

All income from other trading activities is unrestricted.

4 Income from investments

	2023 Total £	2022 Total £
Dividends	**55,027**	51,846
	55,027	51,846

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 £	**2023 Total £**	2022 Total £
Staff costs (Note 7)	2,090	20,135	173,796	251,597	1,293,346	–	450,752	**2,191,716**	3,747,426
Fees and other direct costs	–	–	77,569	1,988	1,427,906	–	–	**1,507,463**	1,405,264
Travel and subsistence	–	–	–	–	12,981	3,523	6,782	**23,286**	17,533
Books and journals	–	–	2,500	–	–	–	25,780	**28,280**	26,070
Research materials	–	–	–	26,370	–	–	–	**26,370**	53,239
Sundry expenses	–	–	–	–	8,163	16,603	95,679	**120,445**	144,277
Premises	–	–	–	–	–	–	155,161	**155,161**	643,861
IT	–	–	–	–	–	–	71,177	**71,177**	74,970
Professional fees	–	–	–	–	–	15,400	27,993	**43,393**	35,194
Depreciation	–	–	–	–	–	–	25,422	**25,422**	11,583
Finance costs and bad debts	4,437	–	–	–	–	–	6,491	**10,928**	3,034
	6,527	20,135	253,865	279,955	2,742,396	35,526	865,237	**4,203,641**	6,162,451
Support costs	1,038	10,007	86,375	125,040	642,777	–	(865,237)	**–**	–
Governance costs	43	411	3,546	5,134	26,392	(35,526)	–	**–**	–
Total expenditure 2023	**7,608**	**30,553**	**343,786**	**410,129**	**3,411,565**	**–**	**–**	**4,203,641**	
Total expenditure 2022	5,118	63,422	596,237	714,384	4,783,290	–	–		6,162,451

5b Analysis of expenditure (prior year)

	Raising funds		Charitable activities					
	Investment management £	Other trading activities £	Publications £	Econometric model £	Research work £	Governance costs £	Support costs £	**2022 Total £**
Staff costs (Note 7)	3,467	42,959	347,756	469,493	2,297,356	–	586,395	**3,747,426**
Fees and other direct costs	–	–	82,708	2,026	1,320,530	–	–	**1,405,264**
Travel and subsistence	–	–	121	–	16,870	217	325	**17,533**
Books and journals	–	–	–	–	220	–	25,850	**26,070**
Research materials	–	–	–	18,307	34,932	–	–	**53,239**
Sundry expenses	–	–	–	144	16,009	12,888	115,236	**144,277**
Premises	–	–	–	–	–	–	643,861	**643,861**
IT	–	–	–	772	3,035	–	71,163	**74,970**
Professional fees	–	–	–	–	–	16,263	18,931	**35,194**
Depreciation	–	–	–	–	–	–	11,583	**11,583**
Finance costs and bad debts	–	–	–	–	–	–	3,034	**3,034**
	3,467	42,959	430,585	490,742	3,688,952	29,368	1,476,378	**6,162,451**
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**

6 Net income / (expenditure) for the year

This is stated after charging:

	2023 £	2022 £
Depreciation	25,422	11,583
Auditor's remuneration (excluding VAT):		
Audit	18,250	15,800
Other services	913	950
Foreign exchange losses	3,878	1,051

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

Staff costs were as follows:

	2023 £	2022 £
Salaries and wages	2,095,879	2,115,696
Interim staff costs	23,253	126,552
Social security costs	231,340	221,513
Employer’s contribution to defined contribution pension schemes	28,708	28,414
Employer’s contribution to defined benefit pension schemes	312,192	303,688
Total staff before movement in USS pension provision	2,691,373	2,795,863
Movement in provision for USS pension scheme	(499,657)	951,563
Total staff costs	2,191,716	3,747,426

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

	2023 No.	2022 No.
£60,000 – £69,999	3	4
£70,000 – £79,999	1	3
£80,000 – £89,999	1	1
£90,000 – £99,999	2	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 £627,079 (2022: £573,243).

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 (2022: £156,840) plus pension benefits of £33,878 (2022: £33,093). No other charity trustees were paid nor received any other benefits from employment with the charity in the year (2022: £nil). No charity trustee received payment for professional or other services supplied to the charity (2022: £nil).

Trustees' expenses represent the payment or reimbursement of travel and subsistence costs and totalled £1,023 (2022: £217) incurred by 5 (2022: 3) 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 51 (2022: 49).

9 Related party transactions

There are no related party transactions to disclose for 2023 (2022: 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	143,521	200,561	42,498	**504,960**
Additions in year	–	5,460	33,154	–	**38,614**
Disposals in year	–	–	–	–	**–**
At the end of the year	118,380	148,981	233,715	42,498	**543,574**
Depreciation					
At the start of the year	–	107,113	162,248	42,498	**311,859**
Charge for the year	–	4,777	20,645	–	**25,422**
At the end of the year	–	111,890	182,893	42,498	**337,281**
Net book value					
At the end of the year	118,380	37,091	50,822	–	**206,293**
At the start of the year	118,380	36,408	38,313	–	193,101

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

	2023 £	2022 £
Fair value at the start of the year	**2,364,410**	2,782,327
Additions at cost	**–**	–
Disposal proceeds	**(18,764)**	(526,467)
Net (loss)/gain on change in fair value	**(186,342)**	108,550
Listed investments	**2,159,304**	2,364,410
Investment in subsidiary companies	**2**	2
Cash held by investment broker	**762**	274,410
Fair value at the end of the year	**2,160,068**	2,638,822

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

	2023 £	2022 £
Trade debtors	718,085	617,416
Prepayments and other debtors	33,525	34,860
Amounts owed from subsidiary undertaking	1,033	714
Accrued income	186,968	398,698
	939,611	1,051,688

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

	2023 £	2022 £
Trade creditors	617,165	443,411
Taxation and social security	176,174	76,799
Accruals	266,015	428,769
Deferred income (note 16)	919,837	1,675,741
	1,979,191	2,624,720

16 Deferred income

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

	2023 £	2022 £
Econometric model subscriptions	402,162	326,123
Research work	425,779	1,198,075
Corporate membership	91,896	81,043
Royalty income	–	70,500
Balance at the end of the year	919,837	1,675,741

17 Provisions for liabilities

Obligation to fund deficit on USS pension	2023 £	2022 £
At the start of the year	1,599,579	648,016
Movement in year	(499,657)	951,563
At the end of the year	1,099,922	1,599,579

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 £90,837 (2022: £100,352).

18a Pension schemes - Universities Superannuation Scheme (USS)

The total amount credited to the statement of financial activities for the year relating to USS pensions was £187,465. (2022: £1,255,251 charge) 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 for completion 30 June 2024.

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 2020 valuation are described below. More detail is set out in the Statement of Funding Principles.

Pension increases (all subject to a floor of 0.0%)	CPI assumption +0.05%
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:

	2020 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:

	2023	2022
Males currently aged 65 (years)	**24.0**	23.9
Females currently aged 65 (years)	**25.6**	25.5
Males currently aged 45 (years)	**26.0**	25.9
Females currently aged 45 (years)	**27.4**	27.3

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. The 2023 deficit recovery liability reflects this plan. The liability figures have been produced using the following assumptions.

	2023	2022
Discount rate (pensioners/ non pensioners)	**1.4% / 0.7%**	1.4% / 0.7%
Pensionable salary growth	**n/a**	n/a
Pension increases (CPI)	**2.20%**	2.20%

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 £28,708 (2022: £28,414) 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	206,293	–	–	**206,293**
Investments	2,160,068	–	–	**2,160,068**
Net current assets	245,134	8,995	–	**254,129**
Provisions for liabilities	(1,099,922)	–	–	**(1,099,922)**
Net assets at 31 March 2023	**1,511,573**	**8,995**	**–**	**1,520,568**

19b Analysis of net assets between funds (prior 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**

20a Movements in funds (current year)

	At 1 April 2022 £	Income & gains £	Expenditure & losses £	Transfers £	At 31 March 2023 £
Restricted funds:	–	3,202,747	(2,451,385)	(751,362)	–
Total restricted funds	–	3,202,747	(2,451,385)	(751,362)	–
Unrestricted funds:					
Designated funds:					
Work experience support fund	8,995	–	–	–	**8,995**
Total designated funds	8,995	–	–	–	**8,995**
General funds	2,510,889	1,787,499	(2,438,255)	751,362	**2,611,495**
Pension provision	(1,599,579)	–	499,657	–	**(1,099,922)**
Total unrestricted funds	920,305	1,787,499	(1,938,598)	751,362	**1,520,568**
Total funds	920,305	4,990,246	(4,389,983)	–	**1,520,568**

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 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**

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, unless they do not wish to be named, contributing in excess of £30,000 of restricted income during this or last year.

	2023 Total £	2022 Total £
Office for National Statistics	1,433,074	1,453,075
Economic and Social Research Council	736,863	828,257
What Works Centre for Children & Families	387,430	124,493
Nuffield Foundation	152,122	134,320
Department for Science, Innovation & Technology	232,100	–
Financial Fairness Trust	60,803	33,824
Education Endowment Foundation	16,859	206,238
Gambling Commission	91,326	–
Other	92,170	23,439
	3,202,747	2,803,646

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.