

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 2021

Contents

Reference and administrative information	1
Trustees' annual report	2
Trustees' responsibilities	19
Independent auditor's report	21
Statement of financial activities	25
Balance sheet	26
Statement of cash flows	27
Notes to the Financial Statements	28

REFERENCE AND ADMINISTRATIVE INFORMATION

Trustees (Members of the Council of Management)

Professor Diane Coyle (resigned 10th December 2020)
Professor Nicholas Crafts (appointed 10th December 2020)
Sir Paul Tucker
Tera Allas
Jenny Bates
Alexander Baker
Professor Phillip Brown
Professor Jagjit Chadha (Director)
Neil Gaskell
Sir David Greenaway
Stephen Daryl King
Keith Mackrell
Neville Manuel
Professor Jill Rubery
Professor Lorna Unwin (resigned 10th December 2020)
Romesh Vaitilingam

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

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 2021, 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 policy-makers 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 policy-makers, 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 Audit, Risk and Ethics Committee of Council undertook a specific review in 2019/2020 to confirm that our portfolio of activities continued to conform with our charitable objectives and a further review of activities will take place in the financial year 2021/22.

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 ultimate 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.

In order to serve the public benefit we maintain a high reputation for the independence and quality of our research, and invest in a number of outreach activities, including working with other organisations in the charitable and educational sectors. Our emphasis on dissemination and impact has strengthened further during the past two years, with the establishment of the NIESR *Festival of Social Science*, and an intensive contribution to the public debate during the Covid-19 pandemic. 2020-21 was our second 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

The Institute has weathered much of the impact of the pandemic and 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 two Deputy Directors are now in place providing the Director with increased capacity to explore new opportunities to expand the work of the Institute in line with our strategy. A new Head of External Affairs has been appointed bringing both Communications and Marketing expertise to the Institute and a Chief Financial Officer has been appointed to manage the development of both Finance and Operations to support 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 pandemic has provided an opportunity for us to reassess our workplace and working practices. A survey has identified remedial repairs are required to the building. 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.

Research Highlights

NIESR research work during the year, 2020/21 has been focussed in four directorates – Macroeconomic Modelling and Forecasting, Employment and Social Policy, Education and Labour and, Trade Policy and Investment. These interact with two major national centres which the Institute hosts – the *Economic Statistics Centre of Excellence*, which is funded by the Office of National Statistics, and the *Rebuilding Macroeconomics* programme of the Economic and Social Research Council. Most of our work is however focussed on specific problems, rather than disciplines, and collaboration between directorates is strongly encouraged. The appointment of Professor Adrian Pabst at Deputy Director level at the end of 2020 has provided an opportunity to recognise this, so that from January 2021 the work on employment and social policy, education and labour and trade, productivity and investment has been combined into a single group, under his leadership. The Macroeconomic policy division was led by Dr Hande Kucuk until October 2021. Paul Mortimer-Lee is the interim Head of Macroeconomic policy and is leading the process by which the NiGEM model will be further enhanced and made available to new subscribers. He is also working on developing our capacity to contribute to the global agenda with work on climate change and the increasing importance of emerging economies in the world economy.

Highlights for each area during 2020-21 were as follows:

Macroeconomic Policy

The Macroeconomics team is currently led by Paul Mortimer-Lee. It undertakes three main activities, i.e. macroeconomic modelling, forecasting (quarterly forecasts and nowcasts) and 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. There has been a particular focus on our forecasting work this year as the impact of Covid-19 dominated the macroeconomic outlook and the team's work on both the UK and the global economy.

Regarding our UK forecasts, we received substantial publicity for our analysis of the impact of lockdown measures in May, for our early call for an extension of the furlough scheme in August and for our analysis of the impact of Covid-19 and Brexit on the recovery path in November as the uncertainty around a free trade agreement with the EU continued into the last quarter of 2020. We have successfully launched the new UK and Global Economic Outlooks on 8th February 2021. Sectoral and regional forecasts started to be published alongside macro forecasts for the UK, laying out the details of the disparities caused by Covid-19 and Brexit at sectoral, regional, and household level and drawing macroeconomic policy implications to address those disparities.

We extended the coverage of the new global economic outlooks to include not only the details of the global forecast but also topical features, which are short articles that examine a particular economic issue and explain how we have modelled this in our NiGEM model. In the Winter and Spring issues of Global Economic Outlook, the team published four topical features analysing the global effects of the unequal race to the Covid-19 vaccine through services trade, implications of the change in US monetary policy framework, the impact of the American rescue plan and its financial spill-overs on emerging markets, which were very

well-received by model subscribers and policy makers such as the FCDO and HMT. Since the start of 2021, National Institute Global Economic Outlook is directly available only to NiGEM subscribers and our corporate sponsors as a part of our plan to differentiate services we provide to our clients with a view to expand our subscriber/sponsor base. Different pricing options and different subscription models are currently under consideration with the support of the External Affairs team.

As well as the quarterly forecasts, we have continued to promote our work on nowcasting and forecasting with the publication of monthly GDP, wage and inflation trackers. Since the start of the lockdown in April 2020, we have complemented our inflation trackers by publishing monthly updates on lockdown weighted inflation thanks to the contributions of our fellow Professor Huw Dixon. Thanks to our collaboration with Professor Andrew Harvey and Professor Paul Kattuman of Cambridge University we launched a weekly Covid-19 tracker on the 18th of February, which included alternative estimates of R-rates for the UK and its major regions as well as forecasts of daily infection, hospitalisation and death rates. This work has got considerable media attention and traffic to our website and was also applied to Indian context which shaped Indian policymakers' response to the surge in the Delta-variant. Finally, on 4th of June 2021 we launched a quarterly Government Bond Term Premium Tracker that decomposes long-term treasury yields into two components: expectations of the future path of short-term Treasury yields and a term premium, which is particularly relevant in the current conjuncture with extremely accommodative monetary policies and increased exposure of public debt to changes in interest rates.

We have continued to convene a quarterly Business Conditions Forum, established with support from the ESRC Impact Acceleration Account in May 2019. The Forum brings together economists and other experts from business organisations and the official sector to have an informed discussion of current data and understand better the state of the UK economy. The discussions are held under Chatham House rules to encourage free and open discussion and the summary minutes are published on our website.

NiGEM continues to have an expanding international audience. In the 2020-21 financial year, we had 8 new NiGEM subscribers, bringing the current number of NiGEM subscriptions to 49, with a strong pipeline of potential subscribers for the 2021/22 financial year. This is particularly supported by the NiGEM's increasing reputation in modelling macroeconomic effects of climate change especially following our collaboration with the Network for Greening the Financial System (NGFS) and the UN Environmental Programme – Finance Initiative (UNEP-FI).

The climate change module of NiGEM includes climate change policy instruments such as carbon prices and border carbon adjustment. A new 'climate' version of the model was launched for clients in March 2020 and has been under continuous development, especially after NIESR was invited to join the NGFS modelling consortium in late 2020. On June 7, 2021 the Network for the Greening of the Financial System (NGFS) published Phase II climate scenarios developed using NiGEM, which received a lot of media coverage and interest in NiGEM by new potential users. On 17-18 June, 2021 NIESR hosted EUROFRAME conference on climate change: economic implications, tools and challenges for policy-makers in Europe, which included an interview by Professor Jagjit Chadha with Professor Partha Dasgupta and a keynote lecture by Professor Rick van der Ploeg. The macroeconomics team's research based on NiGEM named "An investigation of carbon taxes and terms-of-trade in a large macroeconometric model" was presented at the

EUROFRAME conference and is submitted to the NIER special issue on “Macroeconomics of Climate Change” forthcoming in November 2021. Given the interest in the topic, and our increased outreach through NGFS and UNEP-FI, research on the macroeconomic effects of climate change will continue to be an important and fruitful area of research for the team in the future.

Other research projects undertaken include outlier detection methodologies for alternative data sources; sovereign debt sustainability in Greece during the economic adjustment programmes; modelling the sectoral and regional impact of Covid-19 in the UK economy; forecasting and nowcasting Covid-19 in the UK; industry level origins of fluctuations in growth rates and economic welfare; the effect of multiple interventions to balance healthcare demand for controlling Covid-19 outbreaks; the dynamics of core and periphery in the European Monetary Union. The team also undertakes NiGEM development projects to update and review various blocks of the model according to a plan; provides significant amounts of training for NiGEM users, and welcome short term consultancy projects that utilise NiGEM’s capacity. Team members have been involved in providing NiGEM training and answering user queries. The team also maintain close links with several of our Corporate Members.

Public Policy

The Public Policy team led by Prof Adrian Pabst has produced research and policy ideas in four areas: Education (incl. Migration and Integration and the public understanding of economics); Labour; Productivity & Trade; Political Economy (incl. regional economic analysis).

The Education team welcomed Dr Claudine Bowyer-Crane who joined NIESR from the University of York at the end of March 2020 as Associate Research Director. She brings strong expertise in educational research, including early years intervention, language development and English as additional language. She joins a team focused on different areas: migration and integration; education interventions; public understanding and perceptions and employers’ policies and practices.

The team continued its research on migration and integration, recently spearheaded by Dr Chiara Manzoni. Highlights of this work included disseminating the findings of their research on integration of migrant pupils in schools funded by the Paul Hamlyn Foundation through workshops for EU teachers. Research findings were also disseminated to journalists and third sector practitioners attending the major training exercise on Rethinking Migration in Spain. The team also completed research on EU immigration policies for third country nationals, funded by the Department for Business, Energy and Industrial Strategy (BEIS). The work has been presented in Parliament, and in invited opinion pieces in outlets such as the Spectator, Prospect and Integration Hub.

The team has also developed a strand of research on public understanding and perceptions, led by Johnny Runge, focused on immigration attitudes and recently on public understanding of economics and economic issues. Work has included recent reports on the communication of data uncertainty and the value of economic statistics, which got significant media traction and was headlined in the Financial Times. Research continued on employers’ policies and practices. As part of the Low Pay Commission’s (LPC) review of the National Minimum Wage youth rates (which led to a restructure of the youth rates), the team explored employers’

employment of young people and their use of the youth rates. An evidence review was also conducted for the Equality and Human Rights Commission (EHRC) on recruitment in low-paid sectors, and work was conducted on a project for the Centre for Ageing Better, exploring older workers' experiences of the recruitment process, including experiences of age bias and discrimination.

In collaboration with the Labour team led by Lucy Stokes, research continued on the effectiveness of educational interventions at both primary and secondary level, and across subject areas. Research funded by the Education Endowment Foundation has encompassed evaluations of interventions across early years, primary and secondary education. In the past year this has included publication of results from a trial of a growth mindset intervention, a trial of an intervention training teachers in the use of research tools to improve language. We were also pleased to be appointed as one of the first independent evaluators of a trial funded by the What Works Centre for Children's Social Care, exploring the effects of providing formal supervision to Designated Safeguarding Leads in primary schools in Bolton.

Research on vocational education has continued to be another key focus. This has included our work as part of the Centre for Vocational Education Research (CVER), funded by the Department for Education and led by the London School of Economics, as well as research for the Social Mobility Commission and Sutton Trust. Topics covered have included the impact of apprenticeships on firm productivity and individual wages, combinations of higher vocational and academic education, the role of education providers in social mobility, and the role of non-cognitive skills for education and labour market outcomes. We have also begun research on digital skills in apprenticeships, funded by the Nuffield Foundation. Within our broader programme of work on Labour and Education, as part of the Institute's election briefings, we produced a briefing note on education policy priorities, including exploration of the election manifestos of the three main parties.

Another strand of research within the Labour team focuses on issues relating to employment, labour markets and employment relations. This has included work on the 2019 Employers' Pension Provision Survey for the Department for Work and Pensions, providing further insights into the impacts of the workplace pension reforms, as well as research exploring inequalities associated with longer working lives, as part of the Fairer Active Ageing in Europe project. This year has also seen the start of the Wage and Employment Dynamics project, in which NIESR is a partner. Funded by ADR UK (Administrative Data Research UK), this study aims to provide new insights into the dynamics of earnings and employment through linking data from various official surveys and administrative data.

In the area of Trade & Productivity led by Ana Rincon-Aznar, our researchers have contributed actively to the economic and policy debate in the UK, discussing implications of key phenomena such as Brexit, and more recently to understanding the economic and social impact of COVID-19. The team has produced a number of blogs and articles as part of its contribution to broader communication and dissemination.

Our researchers also continued to build a strong profile in areas related to productivity, digitalization innovation, as well as trade, labour market and consumption and wellbeing analyses. New projects during the year have included work on statistical modelling of bilateral trade flows (in collaboration with the NIESR Macroeconomics and Forecasting team and the UK Trade Policy Observatory at the University of Sussex), work commissioned by

the Scottish government to investigate drivers of Scottish productivity from an international perspective, an investigation of the impact of the National Living Wage on business investment, and a project investigating food and drink demand elasticities for the Department of Food and Rural Affairs (DEFRA). This work has been supplemented by close involvement with the research agenda of ESCoE, described below.

The above successes ensured that the team concluded the year with a full order book. It is keen to consolidate this position by developing longer term research ideas and collaborations. Links with government will be further enhanced through the part-time secondment of Ana Rincon-Aznar to the Department for Business Energy and Industrial Strategy for most of the year. Other partners during the past year have included staff at the Universities of Cambridge, Kent, Loughborough, Sheffield, Sussex, Glasgow, Birkbeck, UCL, and Kings' College London amongst others. We have also established a new collaboration agreement with the University of Cagliari in Italy to host Erasmus Students from their Masters of Public Policy course, and one student started their internship in Spring 2021.

In the area of Political Economy, Adrian Pabst developed work on states, markets and civic institutions in his role as theme lead for Governance & Institutions as part of the ESRC-funded Productivity Institute. He also worked closely with members of the Macro team on a Nuffield-funded project on Managing Uncertainty, which culminated in the publication of a major piece of research – Designing New Fiscal Frameworks – which was launched at a NIESR event featuring Clare Lombardelli of HM Treasury and Richard Hughes, the chair of the OBR. Adrian also completed a book on postliberal politics with a detailed analysis of the political landscape in the wake of the Covid-19 pandemic and a series of policy ideas, to be published in June 2021. The other key element of the Political Work is the new regional economic analysis developed by Prof Arnab Bhattacharjee and Dr Elena Lisauskaite. This work is now an integral part of the quarterly UK economic outlook and covers vitally important issues such as soaring levels of destitution and growing regional disparities. Our research is already getting significant traction with the media and also policy-makers, and it will continue to contribute to debate around the 'levelling-up' agenda.

Economic Statistics Centre of Excellence

NIESR is delighted to host the UK Economic Statistics Centre of Excellence (ESCoE). This is a hub of world-leading expertise built around the analysis of emerging and future issues in measuring the economy. ESCoE was established in 2017 with the support of the Office for National Statistics, following the Independent Review of UK Economic Statistics by Professor Sir Charles Bean. Established as an independent research centre, the aims of ESCoE are to develop collaboration between national statisticians and academia to bring a research-led approach to addressing challenges and opportunities in measuring the economy.

The centre focuses on four core areas of investigation: National Accounts and Beyond GDP; Productivity and the Modern Economy; Regional and Labour Market Statistics; Communicating and Valuing Economic Statistics. The ESCoE consortium and funding base have grown significantly since its inception, with researchers throughout the UK and also worldwide contributing to its research agenda. The Centre's final year was due to be 2021/22, however this has been extended for one further year to allow projects to be completed.

Rebuilding Macroeconomics Programme

Rebuilding Macroeconomics (RM) is an Economic and Social Research Council (ESRC) funded four-year research network, led by Dr Angus Armstrong, and hosted at NIESR since its inception. The long-term aim of the network is to transform macroeconomics back into a policy relevant social science. The RM grant has completed its final year, and finished its term at NIESR on 31st May 2021.

All projects have finished and the final report, making recommendations to ESRC as to future directions and priorities for research funding in Macroeconomics is now being compiled.

Communication and Dissemination

The Institute seeks to ensure the widest possible dissemination of its work, in line with our charitable objectives.

Our quarterly academic journal, the National Institute Economic Review, was relaunched at the end of this financial year under Cambridge University Press (CUP) and the UK and Global Economic Outlooks separated out. This has resulted in greater visibility for the Economic Outlooks, and it is the intention of the Institute that these will be treated as distinct products with their own subscribers and following. The development of these Outlooks has ensured a continued interest in their contents from the media with major national outlets regularly covering their contents.

The ongoing Covid-19 pandemic has naturally affected on our events programme in both a positive and negative way. In total, the Institute arranged 27 events, with three unfortunately postponed at the start of the Covid crisis whilst we moved into a virtual environment. However, our total number of event bookings significantly increased to 3,302 which ensured we reached a broader array of people and achieved more impact for the research we produced. The 2021 Dow Lecture had 308 bookings, a workshop on productivity received 181 bookings, the Prais Lecture had 243 bookings and an event exploring what was next for the UK and world economies had 479 bookings. The reach of our Outlooks, through dedicated briefings for economists, embassies and the press, also significantly increased.

During this period, our website remained a principal method of dissemination, with 163,176 visitors accessing the site for an average of one-and-a-half minutes. 40,267 downloads of our research documents took place and 51,010 views of our blog section. The majority of people found our site through organic search. However, it has become apparent that the website would benefit from being updated and this will be a priority for the current financial year.

Through the ESRC Impact Acceleration Account we continued to broaden our engagement and fund new initiatives. In November 2020, as part of the Festival of Social Science, we delivered four events – including the Prais Lecture on Productivity – that explored topics such as language and communication skills in Early Years children; diversity and how Covid-19 has impacted on public finances.

We continued to collaborate nationally and internationally to broaden the understanding of economics and its impact on everyday life. In late 2020, NIESR was selected to join the

modelling consortium working with the Network of Central Banks and Supervisors for Greening the Financial System on scenario design relating to the impact of climate change. Since then, the NiGEM team have been working closely with others in the consortium to provide a clear assessment of the impact of climate change on a wide range of macroeconomic variables.

IMPACT OF THE COVID-19 VIRUS

The Trustees have actively supported management in monitoring and mitigating the impact of COVID-19 planning on the activities of the Institute. In reporting on these activities, we continue to take account of the advice offered by the Charities SORP Committee in their document '*Implications of COVID-19 control measures and Charity Financial Reporting*' issued on 23 March 2020.

The Institute staff have been working from home since 16 March 2020. The approach is kept under continuous review by Trustee Committees and, a group of Trustees was established in March 2020 to provide support and advice to senior staff as required.

The Institute is fortunate in that much of its work can be undertaken by staff working remotely. Restrictions on data access, and the need to conduct interviews externally to the Institute represent two example of activities that needed be delayed. Disruption in some areas has meant that work scheduled for the early periods of the pandemic had to be delayed, contributing to somewhat weaker research income. We are optimistic that most of our work can increasingly be undertaken in these difficult circumstances, although of course the time lost cannot be recovered.

Regarding new business, the biggest single area of Institute income is derived from research commissioned by government agencies, charities and the corporate sector. In the short term, we have noticed little net impact on the amount of work available. In fact, in the early part of 2020-21 the Institute has been successful in accessing grants specifically concerned with the impact of COVID-19. However long-term prospects are more uncertain, depending on how research budgets are maintained towards the end of the new financial year, and the impact of the economic recession and the pattern of the recovery. Likewise, we cannot yet be certain how economic conditions will affect sales of the National Institute Global Econometric Model and Corporate Membership, both of which are determined an annual basis. Some smaller scale activities, such as an international course which the Institute had expected to stage in 2020/21 was cancelled due to travel restrictions, and additional costs have been incurred, for example due to the need to support staff working from home. These factors have led us to take a cautious approach to budgeting for the 2021-22 financial year.

PLANS FOR THE FUTURE

The Trustees' approach remains cautious due to the continued uncertainties created by COVID-19. In addition, a requirement for a significant programme of maintenance for the building has been identified. The budget for the Institute in the current year reflects a financial loss but this is due to investments to support the Institute's strategy.

Our approach, reflected in our strategy, envisages NIESR performing a unique role at the interface between research of the highest academic quality, and dissemination through the mechanisms of a 'think tank'. We have taken steps to realise this in the current year with investment in redesigning our website reflecting the grouping of research themes in the areas of Macroeconomic and Public Policy, with an emphasis on Monetary, Financial and Fiscal Policies, Macroeconomic Forecasting, Productivity, Trade and Regional Economics, Labour Markets, Wages and Living Standards, Human Capital Formation, and Migration and the Experiences of Minority Groups. These will be enhanced by cross-cutting themes, which reflect our emphasis on problem-orientated, interdisciplinary work. These are the Macroeconomics of Climate Change, Money, Populism and Power, and Britain After the Financial Crisis, Brexit and Covid-19.

Dissemination and engagement remain critical to our strategy. NIESR's established reputation and networks, together with our physical location (and growing number of virtual events), make us an ideal bridge between the worlds of academia, policy and practical application. We have taken some important steps in growing this engagement in the coming year with recruitment of the new Head of Policy to the Productivity Commission and a new NIESR Head of External Affairs.

Our strategy also places greater emphasis on medium- and long-term funding mechanisms, which allow for greater stability in our work programmes and thus a greater freedom to address cutting edge issues. It recognises, however, that funding of this nature tends to be highly competitive, has a significant lead time between proposal and acceptance and does not always meet the full economic cost of the work once approved. These points have a particular significance for NIESR as an independent research institute, without access to the core funding available to universities and other publicly funded bodies. Reflecting these factors, the strategy recognises a need to generate more income from the dissemination of our research and expertise, with the active support of our Trustees and Governors. Research income will remain our largest source of income in future years.

Funding from the Impact Acceleration Account of the ESRC continues to play an important role in building up our programme of engagement, which will also be enhanced by changes in our management structure.

Finally, our approach will continue to emphasise quality in non-research, as well as research activities, though continued accreditation under ISO standards relevant to our work.

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. Recognising this, the Council undertook a 'deep dive' discussion of reputational risks at its December meeting.

The Trustees have also considered the Risk Register in view of the COVID-19 crisis. Whilst it was not considered necessary to add a 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 gain on investments and USS deficit provision, was a loss of just under £200k, which was about £60k less than budget. Research income was approximately £750k less than the previous year, however corresponding pass-through fees and direct costs were also reduced resulting in a net reduction of approximately £250k from the previous year. This was partially offset by improved NIGEM and corporate membership income. The Institute considers that this is a good result given the effect of the pandemic which had not been reflected in the original budget. The value of investments has also continued to improve to approximately £2,800k at the year end from a low of £2,200k at the end of the previous financial year.

Statement of Financial Activities

The Statement of Financial Activities (SoFA) for the year shows a loss, before investment portfolio revaluations, of £195,161 (2020: gain £554,238) arising from gross unrestricted income of £1,613,589 (2020: £2,014,574) and £3,648,749 of restricted income (2020: £4,070,325).

This year the result largely reflects the impact of the Pandemic. Last year's financial statements included a material release of the provision for the Universities Superannuation Scheme reflecting the results of the valuation of the scheme which was undertaken at 31 March 2019 however the change in the provision this year has been a very small further reduction of £6,107 (2020: reduced by £483,462). Excluding the movement in the USS deficit provision and unrealised gains/losses on investments, the Institute recorded a net deficit for the year of £210,268 (2020: surplus of £70,776) as set out in the following table:

	2020-2021 £	2019-2020 £	2018-2019 £	2017-2018 £
Income				
Fees for research work	4,180,112	4,938,095	3,638,504	2,855,117
Economic model fees	632,762	590,109	637,609	596,043
Publications	134,099	232,451	225,458	226,384
Corporate membership	153,437	104,605	96,562	92,449
Donations and contributions	33,055	76,836	76,548	31,623
Investment income	53,016	71,466	68,540	65,512
Other income	75,857	71,337	87,917	90,915
	5,262,338	6,084,899	4,831,138	3,958,053
Expenditure				
Staff costs*	2,746,446	2,752,768	2,692,312	2,376,385
Other expenditure	2,717,160	3,261,355	2,099,094	1,741,551
	5,463,606	6,014,123	4,791,406	4,117,936
Net surplus/(deficit) excluding gain/loss on investments and USS deficit provision	(201,268)	70,776	39,732	(159,883)
Net gains/(losses) on investments	622,822	(267,456)	88,433	(41,178)
Movement USS deficit provision	6,107	483,462	(724,117)	20,538
Net movement in funds as per the statement of financial activities	427,661	286,782	(595,952)	(180,523)

* 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 2021 has reduced by 13% compared to prior year this was driven by a 15% decrease in income from research work. Research income was particularly negatively impacted by the Pandemic in the first quarter of the year and saw a recovery in subsequent quarters. 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 reduced but this has been matched by a reduction in associated costs so that net income is only slightly reduced (by approximately £30k) 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 9%, primarily due to the corresponding decrease in direct research expenses noted above.

Balance Sheet

Cash at bank and in hand decreased by 25% (£519k) during the year to £1,597k this is due to the Rebuilding Macroeconomics centre entering its final year with consequent payment of funds to external partners for projects that have completed. There is a related reduction in accruals which can be seen in note 15 to the accounts.

Debtors have increased by 29% 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.

The reduction in accruals noted above is offset by an increase in trade creditors of £582k principally payments due to external collaborators in the ESCoE centre.

Within deferred income of £1,993k, £1,492k represented research projects of which approximately 55% (£830k) related to Rebuilding Macroeconomics (RM) and ESCoE projects.

The level of unrestricted reserves on the balance sheet has increased to £2,358k at the end of the year compared to £1,930k at 31 March 2020, with the operational deficit being partly offset by significant unrealised gains in the investment portfolio.

Included in the balance sheet is a provision for liabilities of £648k (31 March 2020: £654k). This represents the contractual obligation in relation to the USS deficit recovery plan, representing deficit contributions of between 2% and 6% of employers USS contributions until March 2028, over which period an annual outflow of up to £114k related to this provision is expected, and is discounted to present value accordingly.

The 2020 valuation was finalised on 4th October 2021. This confirmed that employer contributions are going to be lower than anticipated in the 2018 valuation however further details have not been released at the time of completion of this report.

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. The Committee has increased the frequency of contact with the Manager during the exceptionally volatile market conditions arising from the COVID-19 virus and reported to the Trustees at each meeting. At the time of writing, no change to the overall investment policy or objectives has been requested.

During the year to 31 March 2021 there was a net increase in the fair value of listed investments of £622,822 (2020: net decrease of £267,456). This primarily reflected market recovery after the previous period of volatility resulting from the impact of the pandemic. Target performance at the end of March 2021 was 3%. The period between April and July 2021 has seen an increase in value of investments held of 4.8%.

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 have reviewed these risks and agree 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 the light of any additional risks created by the COVID-19. It has been agreed that the target level of free reserves remains broadly appropriate.

The balance held as unrestricted reserves at 31 March 2021 was £2,357,870. This reflects the USS deficit provision of £648,016 over the next seven years, which is a longer period than the reserves policy is intended to cover and does not include estimated future financial surpluses over this period. The proportion of this provision which relates to the next five years amounts to £451,375. Adding back the part of the USS deficit provision relating to years 6-7 of £196,641 and deducting fixed assets (£137,645) and the designated funds (£8,995) would result in unrestricted free reserves of £2,407,871 at the end of the year. This figure also reflects the increase in the value of our investments at the end of the year, as described above.

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

Our quarter one management accounts currently forecast a loss of £600,000 for the 2021/22 financial year primarily due to a series of remedial works on our building.

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 policy-making, 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 three committees, consisting of the following Trustees and executive staff:

- Audit, Risk and Ethics Committee
 - Neil Gaskell (Chair)
 - Tera Allas
 - Keith Mackrell
 - Neville Manuel
 - Jagjit Chadha (Director) in attendance
 - John Kirkland (Chief Operating Officer) in attendance until Dec 2020
 - Helen Finely (Chief Financial Officer) in attendance
- Investment Committee
 - Stephen Daryl King
 - Professor David Greenaway
 - Giles Keating (co-opted)
 - Jagjit Chadha (Director) in attendance
 - Helen Finely (Chief Financial Officer) in attendance

- John Kirkland (Chief Operating Officer) in attendance
- Nominations and Remuneration Committee
 - Professor Diane Coyle (Chair until Dec 2020)
 - Professor Phillip Brown
 - Professor Nicholas Crafts from Dec 2020 onwards
 - Alex Baker (Acting Chair from Dec 2020)
 - Professor Jill Ruberry
 - Professor Lorna Unwin
 - Jagjit Chadha (Director)
 - Helen Finely (Chief Financial Officer) in attendance
 - John Kirkland (Chief Operating Officer) in attendance until Dec 2020

We decided in 2019/20 financial year to establish a Development Committee and, related to that, a Donations Review Committee (DRC) as part of new procedures established to ensure due diligence and financial transparency in donations received by the Institute. The DRC will meet as required and its membership comprises Neville Manuel (representing the Audit and Risk Committee), Jenny Bates and Romesh Vaitilingham.

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.

This year the senior management structure of the Institute was revised in order to provide more support for the Director's role. Two Deputy Directors, Dr Hande Kucuk and Professor Adrian Pabst, were appointed to lead Macroeconomic Policy and Public Policy respectively. The role of the Chief Operating Officer and Company Secretary of the Institute was removed and a Chief Financial Officer, Helen Finely and Head of External Affairs initially Dr John Kirkland later replaced by Neil Lakeland, were appointed.

STAFFING

At the end of the period the Institute has a headcount of 49 staff, equivalent to 43.5 full time employees. The year has seen 6 starters and 6 departures. Of the current staff, 24 were female and 25 male.

Staff turnover figures have reduced substantially from the previous year and remain under review by the trustees to ensure that measures put in place continue to have an impact.

The newly created HR department has worked to put a number of measures in place including a holistic staff training programme and strengthening our recruitment processes.

The management recognise the Unite union as having collective bargaining rights in relation to pay, hours and holiday for all employees with the exception of the Director and 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

6th October 2021

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 2021 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 2021 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.

Judith Miller (Senior statutory auditor)

Date: 10 November 2021

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 2021

	Note	2021 Unrestricted £	2021 Restricted £	2021 Total £	2020 Unrestricted £	2020 Restricted £	2020 Total £
Income from:							
Donations and contributions		33,055	–	33,055	76,836	–	76,836
Charitable activities	2						
Research work		531,363	3,648,749	4,180,112	867,770	4,070,325	4,938,095
Econometric model		632,762	–	632,762	590,109	–	590,109
Publications		134,099	–	134,099	232,451	–	232,451
Other trading activities	3	229,294	–	229,294	175,942	–	175,942
Investments	4	53,016	–	53,016	71,466	–	71,466
Total income		1,613,589	3,648,749	5,262,338	2,014,574	4,070,325	6,084,899
Expenditure on:							
Charitable activities							
Research work		1,242,490	3,375,484	4,617,974	833,303	3,987,420	4,820,723
Econometric model		495,024	–	495,024	280,934	–	280,934
Publications		273,082	–	273,082	352,864	–	352,864
Other trading activities		65,901	–	65,901	70,948	–	70,948
Investment management		5,518	–	5,518	5,192	–	5,192
Total expenditure	5a	2,082,015	3,375,484	5,457,499	1,543,241	3,987,420	5,530,661
Net (expenditure)/income before net gains/(losses) on investments		(468,426)	273,265	(195,161)	471,333	82,905	554,238
Net gains/(losses) on investments		622,822	–	622,822	(267,456)	–	(267,456)
Net income for the year	6	154,396	273,265	427,661	203,877	82,905	286,782
Transfers between funds		273,265	(273,265)	–	82,905	(82,905)	–
Net movement in funds		427,661	–	427,661	286,782	–	286,782
Reconciliation of funds:	20a						
Total funds brought forward		1,930,209	–	1,930,209	1,643,427	–	1,643,427
Total funds carried forward		2,357,870	–	2,357,870	1,930,209	–	1,930,209

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 2021

	Note	2021 £	2020 £
Fixed assets:			
Tangible assets	11	137,645	158,121
Investments	12	2,801,515	2,198,661
		<u>2,939,160</u>	<u>2,356,782</u>
Current assets:			
Debtors	14	1,673,577	1,296,205
Cash at bank and in hand		1,597,128	2,115,843
		<u>3,270,705</u>	<u>3,412,048</u>
Liabilities:			
Creditors: amounts falling due within one year	15	(3,203,979)	(3,184,498)
		<u>66,726</u>	<u>227,550</u>
Net current assets		<u>3,005,886</u>	<u>2,584,332</u>
Total assets less current liabilities		<u>(648,016)</u>	<u>(654,123)</u>
Provisions for liabilities	17		
Total net assets	19a	<u>2,357,870</u>	<u>1,930,209</u>
Funds:	20a		
Restricted income funds		-	-
Unrestricted income funds:			
Designated funds		8,995	8,995
General funds		2,996,891	2,575,337
Pension reserve		(648,016)	(654,123)
Total unrestricted funds		<u>2,357,870</u>	<u>1,930,209</u>
Total funds		<u>2,357,870</u>	<u>1,930,209</u>

Approved by the Trustees and signed on their behalf by

Professor Nicholas Crafts
Chair, Council of Management

6 October 2021

Statement of cash flows

For the year ended 31 March 2021

	Note	2021 £	£	2020 £	£
Cash flows from operating activities					
Net income for the year		427,661		286,782	
(as per the statement of financial activities)					
Depreciation charges		9,342		9,123	
Losses on disposal of fixed assets		11,134		–	
(Gains)/losses on investments		(622,822)		267,456	
Dividends, interest and rent from investments		(53,016)		(71,466)	
(Increase)/decrease in debtors		(377,372)		226,641	
Increase in creditors		19,481		245,536	
Decrease in provisions for liabilities		(6,107)		(483,462)	
Net cash provided by operating activities			(591,699)		480,610
Cash flows from investing activities:					
Dividends, interest and rents from investments		53,016		71,466	
Purchase of fixed assets		–		(42,612)	
Sale of investments		13,743		–	
Net cash provided by investing activities			66,759		28,854
Change in cash and cash equivalents in the year			(524,940)		509,464
Cash and cash equivalents at the beginning of the year			2,141,254		1,631,790
Cash and cash equivalents at the end of the year			1,616,314		2,141,254
		At 1 April 2020 £	Cash flows £	Other changes £	At 31 March 2021 £
Cash at bank and in hand		2,115,843	(518,715)	–	1,597,128
Cash held within investments		25,411	(6,225)	–	19,186
Total cash and cash equivalents		2,141,254	(524,940)	–	1,616,314

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.

Although Covid 19 has had some initial impact causing delays to project delivery these have mostly been mitigated. In the early part of 20/21 the Institute has been successful in accessing grants specifically concerned with the impact of Covid 19 and the trustees do not consider that Pandemic poses a material risk to the charitable company's ability to continue 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.

Notes to the financial statements

For the year ended 31 March 2021

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.

	2021	2020
• Research work	77.4%	78.3%
• Econometric model	12.7%	9.3%
• Publications	7.6%	9.5%
• Other trading activities	2.1%	2.7%
• Investment management	0.2%	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.

Notes to the financial statements

For the year ended 31 March 2021

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.

Notes to the financial statements

For the year ended 31 March 2021

2 Income from charitable activities

	Unrestricted £	Restricted £	2021 Total £	Unrestricted £	Restricted £	2020 Total £
Research work						
Government	299,065	1,299,500	1,598,565	578,688	1,558,782	2,137,470
Research Councils	–	2,009,651	2,009,651	–	2,011,766	2,011,766
Trusts & Foundations	70,693	297,009	367,702	55,501	498,993	554,494
European Commission institutions	25,523	–	25,523	32,229	–	32,229
Other	136,082	42,589	178,671	201,352	784	202,136
Sub-total	531,363	3,648,749	4,180,112	867,770	4,070,325	4,938,095
Econometric model fees						
Subscriptions	632,762	–	632,762	590,109	–	590,109
Sub-total	632,762	–	632,762	590,109	–	590,109
Publications						
Sales and other	134,099	–	134,099	232,451	–	232,451
Sub-total	134,099	–	134,099	232,451	–	232,451
Total income from charitable activities	1,298,224	3,648,749	4,946,973	1,690,330	4,070,325	5,760,655

3 Income from other trading activities

	2021 Total £	2020 Total £
Corporate membership	153,437	104,605
Room rental	21,231	20,127
Other income	54,626	51,210
	229,294	175,942

All income from other trading activities is unrestricted.

4 Income from investments

	2021 Total £	2020 Total £
Dividends	53,002	62,720
Bank interest	14	8,746
	53,016	71,466

All income from investments is unrestricted.

Notes to the financial statements

For the year ended 31 March 2021

5a Analysis of expenditure (current year)

	Raising funds		Charitable activities						
	Investment management £	Other trading activities £	Publications £	Econometric model £	Research work £	Governance costs £	Support costs £	2021 Total £	2020 Total £
Staff costs (Note 7)	3,875	45,185	168,179	280,111	1,704,805	–	538,184	2,740,339	2,269,306
Fees and other direct costs	–	1,500	33,379	1,882	2,074,288	–	–	2,111,049	2,712,990
Travel and subsistence	–	–	–	–	4,775	61	(926)	3,910	94,046
Books and journals	–	–	–	–	–	–	22,278	22,278	27,126
Research materials	–	–	–	93,218	7,186	–	–	100,404	37,826
Sundry expenses	–	–	–	291	84,205	4,976	102,913	192,385	143,489
Premises	–	–	–	–	–	–	116,638	116,638	103,903
IT	–	–	–	395	17,683	–	113,594	131,672	101,890
Professional fees	–	–	–	–	–	15,500	10,497	25,997	28,344
Depreciation	–	–	–	–	–	–	9,342	9,342	9,123
Finance costs and bad debts	–	–	–	–	–	–	3,485	3,485	2,618
	3,875	46,685	201,558	375,897	3,892,942	20,537	916,005	5,457,499	5,530,661
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	
Total expenditure 2020	5,192	70,948	352,864	280,934	4,820,723	–	–		5,530,661

Notes to the financial statements

For the year ended 31 March 2021

5b Analysis of expenditure (prior year)

	Raising funds		Charitable activities					
	Investment management £	Other trading activities £	Publications £	Econometric model £	Research work £	Governance costs £	Support costs £	2020 Total £
Staff costs (Note 7)	3,742	47,446	168,696	165,911	1,398,379	–	485,132	2,269,306
Fees and other direct costs	–	–	101,079	1,453	2,610,458	–	–	2,712,990
Travel and subsistence	–	133	–	2,527	81,447	1,130	8,809	94,046
Books and journals	–	–	–	–	2,868	–	24,258	27,126
Research materials	–	–	–	24,926	12,900	–	–	37,826
Sundry expenses	–	–	–	3,321	24,148	2,994	113,026	143,489
Premises	–	–	–	–	–	–	103,903	103,903
IT	–	–	–	1,078	1,763	–	99,049	101,890
Professional fees	–	–	–	–	–	22,341	6,003	28,344
Depreciation	–	–	–	–	–	–	9,123	9,123
Finance costs and bad debts	–	–	–	–	–	–	2,618	2,618
	3,742	47,579	269,775	199,216	4,131,963	26,465	851,921	5,530,661
Support costs	1,406	22,665	80,586	79,256	668,008	–	(851,921)	–
Governance costs	44	704	2,503	2,462	20,752	(26,465)	–	–
Total expenditure 2020	5,192	70,948	352,864	280,934	4,820,723	–	–	5,530,661

Notes to the financial statements

For the year ended 31 March 2021

6 Net income / (expenditure) for the year

This is stated after charging:

	2021 £	2020 £
Depreciation	9,342	9,123
Loss on disposal of fixed assets	11,134	-
Auditor's remuneration (excluding VAT):		
Audit	15,500	15,500
Other services	900	2,325
Foreign exchange losses	1,228	35
	27,104	27,003

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

Staff costs were as follows:

	2021 £	2020 £
Salaries and wages	2,156,187	2,139,920
Interim staff costs	9,854	72,603
Social security costs	228,120	224,878
Employer's contribution to defined contribution pension schemes	42,614	15,453
Employer's contribution to defined benefit pension schemes	309,671	299,914
Movement in provision for USS pension scheme	(6,107)	(483,462)
	2,740,339	2,269,306

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

	2021 No.	2020 No.
£60,000 – £69,999	3	2
£70,000 – £79,999	1	-
£80,000 – £89,999	1	2
£90,000 – £99,999	1	1
£110,000 – £119,999	1	1
£150,000 – £159,999	1	1

The key management of the charity comprise the trustees, the Director, two Deputy Directors, Head of Finance and the Chief Operating Officer. The figures in 2020 did not include Deputy Directors. The total employee benefits (including employer's pension contributions and employer's national insurance) of the key management personnel were £457,027 (2020: £290,180). In 2020, the key management of the charity comprised the trustees, the Director, 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 £153,000 (2020: £150,000) plus pension benefits of £32,705 (2020: £30,450). No other charity trustees were paid nor received any other benefits from employment with the charity in the year (2020: £nil). No charity trustee received payment for professional or other services supplied to the charity (2020: £nil).

Trustees' expenses represent the payment or reimbursement of travel and subsistence costs and totalled £60 (2020: £860) incurred by 1 (2020: 3) member relating to attendance at meetings of the trustees.

8 Staff numbers

The average number of employees (head count based on number of staff employed and interim management personnel) during the year was 48 (2020: 48).

Notes to the financial statements

For the year ended 31 March 2021

9 Related party transactions

There are no related party transactions to disclose for 2021 (2020: 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	181,392	42,498	449,055
Additions in year	–	–	–	–	–
Disposals in year	–	–	(11,134)	–	(11,134)
At the end of the year	118,380	106,785	170,258	42,498	437,921
Depreciation					
At the start of the year	–	106,785	141,651	42,498	290,934
Charge for the year	–	–	9,342	–	9,342
At the end of the year	–	106,785	150,993	42,498	300,276
Net book value					
At the end of the year	118,380	–	19,265	–	137,645
At the start of the year	118,380	–	39,741	–	158,121

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

	2021 £	2020 £
Fair value at the start of the year	2,173,248	2,440,704
Additions at cost	–	–
Disposal proceeds	(13,743)	–
Net gain/(loss) on change in fair value	622,822	(267,456)
Listed investments	2,782,327	2,173,248
Investment in subsidiary companies	2	2
Cash held by investment broker	19,186	25,411
Fair value at the end of the year	2,801,515	2,198,661

Notes to the financial statements

For the year ended 31 March 2021

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

	2021 £	2020 £
Trade debtors	1,160,427	1,004,919
Prepayments and other debtors	30,835	46,990
Amounts owed from subsidiary undertaking	797	902
Accrued income	481,518	243,394
	1,673,577	1,296,205

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

	2021 £	2020 £
Trade creditors	671,763	89,918
Taxation and social security	175,832	203,932
Accruals	363,178	1,016,094
Deferred income (note 16)	1,993,206	1,874,554
	3,203,979	3,184,498

16 Deferred income

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

	2021 £	2020 £
Econometric model subscriptions	326,636	291,095
Research work	1,492,383	1,405,925
Corporate membership	101,229	106,458
Royalty income	72,958	67,076
Other	–	4,000
Balance at the end of the year	1,993,206	1,874,554

Notes to the financial statements

For the year ended 31 March 2021

17 Provisions for liabilities

	2021 £	2020 £
Obligation to fund deficit on USS pension		
At the start of the year	654,123	1,137,585
Movement in year	(6,107)	(483,462)
At the end of the year	648,016	654,123

The obligation to fund the past deficit on the University's Superannuation Scheme (USS) arises from the contractual obligation with the pension scheme for total payments relating to benefits arising from past performance. Management have assessed future employees within the USS scheme and salary payment over the period of the contracted obligation in assessing the value of this provision. The USS deficit recovery plan extends to 2028, the period over which outflow related to this provision is expected. The changes in salary costs and staff numbers have been assessed using the forecast impact of the Institute's plans on the number of staff employed, and known statutory and other increases to pay. The discount rate used is considered to be the equivalent of that of a high quality corporate bond.

Deficit recovery contributions due within one year for the charity are £65,149 (2020: £32,392).

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 £303,564 (2020: credit of £183,548) as shown in note 7.

The latest available complete actuarial valuation of the Retirement Income Builder is at 31 March 2018 (the valuation date), which was carried out using the projected unit method. A valuation as at 31 March 2020 is underway but not yet complete.

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 2018 valuation was the fifth valuation for the scheme 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 £63.7 billion and the value of the scheme's technical provisions was £67.3 billion indicating a shortfall of £3.6 billion and a funding ratio of 95%.

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 (CPI)	Term dependent rates in line with the difference between the Fixed Interest and Index Linked yield curves, less 1.3% p.a.
Discount rate (forward rates)	Years 1–10: CPI + 0.14% reducing linearly to CPI – 0.73% Years 11–20: CPI + 2.52% reducing linearly to CPI + 1.55% by year 21 Years 21 +: CPI + 1.55%

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 2018 actuarial valuation. The mortality assumptions used in these figures are as follows:

	2018 valuation
Mortality base table	Pre-retirement: 71% of AMC00 (duration 0) for males and 112% of AFC00 (duration 0) for females Post retirement: 97.6% of SAPS S1NMA "light" for males and 102.7% of RFV00 for females
Future improvements to mortality	CMI_2017 with a smoothing parameter of 8.5 and a long term improvement rate of 1.8% pa for males and 1.6% pa for females

Notes to the financial statements

For the year ended 31 March 2021

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

The current life expectancies on retirement at age 65 are:

	2021	2020
Males currently aged 65 (years)	24.6	24.4
Females currently aged 65 (years)	26.1	25.9
Males currently aged 45 (years)	26.6	26.3
Females currently aged 45 (years)	27.9	27.7

A new deficit recovery plan was put in place as part of the 2018 valuation, which requires payment of 2% of salaries over the period 1 October 2019 to 30 September 2021 at which point the rate will increase to 6%. The 2020 deficit recovery liability reflects this plan. The liability figures have been produced using the following assumptions:

	2021	2020
Discount rate	2.10%	2.40%
Pensionable salary growth	n/a	n/a
Pension increases (CPI)	2.60%	2.00%

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 £42,614 (2020: £15,453) 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	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

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

	General unrestricted £	Designated funds £	Restricted funds £	Total funds £
Tangible fixed assets	158,121	–	–	158,121
Investments	2,198,661	–	–	2,198,661
Net current assets	218,555	8,995	–	227,550
Provisions for liabilities	(654,123)	–	–	(654,123)
Net assets at 31 March 2020	1,921,214	8,995	–	1,930,209

Notes to the financial statements

For the year ended 31 March 2021

20a Movements in funds (current 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

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 2019 £	Income & gains £	Expenditure & losses £	Transfers £	At 31 March 2020 £
Restricted funds:	–	4,070,325	(3,987,420)	(82,905)	–
Total restricted funds	–	4,070,325	(3,987,420)	(82,905)	–
Unrestricted funds:					
Designated funds:					
Work experience support fund	8,995	–	–	–	8,995
Total designated funds	8,995	–	–	–	8,995
Fair value reserve	196,734	–	–	(196,734)	–
General funds	2,575,283	2,014,574	(1,810,697)	(203,823)	2,575,337
Pension provision	(1,137,585)	–	–	483,462	(654,123)
Total unrestricted funds	1,643,427	2,014,574	(1,810,697)	82,905	1,930,209
Total funds	1,643,427	6,084,899	(5,798,117)	–	1,930,209

Notes to the financial statements

For the year ended 31 March 2021

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.

	2021 Total £	2020 Total £
Economic and Social Research Council	1,959,748	1,976,273
Office for National Statistics	1,299,500	1,558,782
Education Endowment Foundation	177,124	240,122
Nuffield Foundation	100,374	153,810
Innovate UK	49,902	35,493
Leverhulme Trust	7,967	80,483
Other	54,134	25,362
	3,648,749	4,070,325

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.