Overseas Development Institute

Annual Report and Financial Statements

31 March 2009

Company Limited by Guarantee
Registration Number
661818 (England and Wales)

Charity Registration Number
228248

Contents

Reports

Reference and administrative information	1
Trustees' report	3
Independent auditors' report	17

Financial Statements

Statement of financial activities	19
Balance sheet	21
Cash flow statement	22
Principal accounting policies	23
Notes to the financial statements	25

Reference and administrative information 31 March 2009

Registered and principal office	111 Westminster Bridge Road London SE1 7JD
Telephone	020 7922 0300
Facsimile	020 7922 0399
Website	www.odi.org.uk
E-mail	odi@odi.org.uk

Company registration number	661818 (England and Wales)
Charity registration number	228248
Auditors	Buzzacott LLP 12 New Fetter Lane London EC4A 1AG

Reference and administrative information 31 March 2009

Bankers	National Westminster Bank plc Commercial Banking 3rd Floor Cavell House 2a Charing Cross Road London WC2H 0NN
Investment managers	BlackRock Investment Management (UK) Limited 33 King William Street London EC4R 9AS

The Trustees present their statutory report together with the financial statements of Overseas Development Institute (ODI) for the year ended 31 March 2009.

The report has been prepared in accordance with Part VI of the Charities Act 1993 and equates to a Directors' report for the purposes of company legislation.

The financial statements have been prepared in accordance with the accounting policies set out on pages 23 and 24 of the attached financial statements and comply with the charitable company's Memorandum and Articles of Association, applicable laws and the requirements of the Statement of Recommended Practice on "Accounting and Reporting by Charities" issued in March 2005.

GOVERNANCE, STRUCTURE AND MANAGEMENT

Constitution

ODI was founded in 1960. It is a registered charity, Charity Registration No. 228248, and also a company limited by guarantee, registered in England and Wales, Company Registration No. 661818. The charity is exempt under Section 30 of the Companies Act 1985 from using the word 'limited' as part of its name.

The Board of Trustees and Council

The Institute is governed by a Board of up to twelve Trustees chaired by Lord Adair Turner.

The terms of reference for the Board are to maintain the values of the organisation and set the overall strategy and direction. In addition, it monitors the performance of the organisation and its management and appoints the Director.

The Council of the Institute comprises the twelve Board Trustees and other members up to a maximum of forty. It is responsible for electing the Board based on nominations from the Nominations Committee. The Council is expected to provide the Institute with contacts at the leading edge of research and policy thinking as well as other contacts relating to all aspects of its operations.

Council Members

Council Members can serve for four terms of three years. They are selected based on their background knowledge, skills, expertise and the benefit that those attributes can bring to the Institute. When elected they attend an induction programme during which they learn about the history, objectives and current issues in the Institute. The programme also covers the latest Business Plan and some major research topics. At the same time they are provided with copies of the latest Annual Report, Strategic Plan and other relevant current literature.

The Institute attempts to keep a balance across the Council membership between people with research, business, media, Non-Governmental organisations and political backgrounds. It also aims to maintain a gender balance.

GOVERNANCE, STRUCTURE AND MANAGEMENT (continued)

Trustees

Trustees must be Council Members in order to be elected. They can serve for up to three terms, each of three years. As for the Council, the aim is to maintain a balance amongst the Trustees of research, academic, business and political expertise knowledge and gender. Board members are both Charity Trustees and Directors under company law.

When elected, Trustees are provided with a Trustee pack with information on the constitution, the annual cycle, the various terms of reference for the Council and Board, job descriptions of senior staff, business and strategic plans, accounts, relevant policies and references to relevant laws and regulations.

In order to give an indication of the breadth of knowledge and skills mix at Trustee level, brief biographical details of three Trustees are set out below:

Lord Adair Turner of Ecchinswell (Chair)

Lord Turner has combined careers in business, public policy and academia. In January 2008 he was appointed Chairman of the Climate Change Committee and, more recently, Chairman of the Financial Services Authority. Lord Turner is also a Visiting Professor at the London School of Economics and Cass Business School, City University and has been a Trustee of Save the Children UK and World Wildlife Fund UK. He became a cross-bench member of the House of Lords in 2005. He was Chairman of the Pensions Commission from 2003 – 2006, and of the Low Pay Commission from 2002 – 2006. His book 'Just Capital – The Liberal Economy', was published by Macmillan in 2001.

Until September 2008 Lord Turner was a non-executive Director at Standard Chartered Bank, until May 2008 United British Media and until July 2008 Siemens plc; from 2000-2006 he was Vice-Chairman of Merrill Lynch Europe, and from 1995-99, Director General of the Confederation of British Industry. Prior to that, between 1992 and 1995, he built McKinsey's practice in Eastern Europe and Russia as a Director.

Ann Grant

Ann joined Standard Chartered Bank as Vice Chairman (Standard Chartered Capital Markets Ltd) in June 2005. Prior to this she was British High Commissioner to South Africa 2000-2005, worked with the UK Diplomatic Service 1971-2005; and held diplomatic postings in India, Mozambique, Brussels (European Union) and New York (UK Mission to the UN). Ann has also worked as Communications Director for OXFAM, is a graduate of the University of Sussex and School of Oriental and African Studies and served with Voluntary Service Overseas in Uganda from 1966-67. Ann is also an independent Trustee on the UK Disasters Emergency Committee, and Director of Tullow Oil.

GOVERNANCE, STRUCTURE AND MANAGEMENT (continued)

Trustees (continued)

Susan Unsworth
Sue combines extensive experience as a development practitioner with an interest in making the findings of political science research accessible and relevant to policymakers. She served for 30 years with the UK 's Department for International Development (DfID), most recently holding posts of Regional Director for Asia (1997-2000) and Chief Governance Adviser (2003-2004). She was one of the main initiators of DfID's "Drivers of Change" programme and has since worked with a number of donor agencies to operationalise the use of political economy analysis. She is also a Principal with The Policy Practice.

Members' liability

In the event of the charity being wound up the Members, and those within one year of ceasing to be Members, are required to contribute an amount not exceeding £1 (as a result of ODI being a company limited by guarantee).

Statement of Trustees' responsibilities

The charitable company's Trustees are responsible for preparing the annual report and financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the Trustees (who are Directors of the company for the purpose of the Companies Act) to prepare financial statements which give a true and fair view of the state of affairs of the charity as at the balance sheet date and of its incoming resources and application of resources, including its income and expenditure, for the financial year then ended. In preparing financial statements giving a true and fair view, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards and statements of recommended practice have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in operation.

The Trustees are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the charitable company and which enable them to ensure that the financial statements comply with the Companies Act 1985. The Trustees 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.

GOVERNANCE, STRUCTURE AND MANAGEMENT (continued)

Statement of Trustees' responsibilities (continued)

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

Each of the Trustees confirms that:

- so far as each of the Trustees is aware, there is no relevant audit information of which the charity's auditors are unaware; and
- the Trustee has taken all the steps that he/she ought to have taken as a Trustee in order to make himself/herself aware of any relevant audit information and to establish that the charity's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

Employees

ODI strives to be an equal opportunities employer and will apply objective criteria to assess merit. It aims to ensure that no job applicant or employee receives less favourable treatment on the grounds of age, race, colour, nationality, religion, ethnic or national origin, gender, marital status, sexual orientation or disability.

Structure and management reporting

The Board is ultimately responsible for the policies, activities and assets of the Institute. When necessary the Trustees ask management to seek professional advice from solicitors and accountants.

The Board meets four times a year and reviews results versus the budget, the final income and expenditure for the year, progress against business and strategic plans, new or amended policies, risk management and other applicable current projects. Its role is to direct and guide management.

Management is responsible for the day to day running of the Institute, the implementation of policies and ensuring that goals and objectives are attained. The Director is supported by a Senior Management Team (SMT), comprising the Director, five Directors of Programmes (responsible for the five research groups) and a Director of Operations. The Directors of Programmes allocate 50% of their time to management issues.

The role of the SMT is to support the Director in the strategic leadership of the Institute. This involves:

- developing the strategic vision and the annual business plans, ensuring that progress is monitored;
- maximising the strengths and capacity of the organisation;
- managing reputation, risk and change; and
- taking strategic decisions on programmes, fundraising, public affairs, finance, human resources, IT and premises.

GOVERNANCE, STRUCTURE AND MANAGEMENT (continued)

Structure and management reporting (continued)

Simon Maxwell was Director for the entire financial period, standing down in April 2009. He has been replaced by Alison Evans (who was previously one of the Directors of Programmes). Brief biographical details for both Simon and Alison together with one of the other Directors of Programmes are set out below:

Simon Maxwell (Director for financial year 2008-09)
Simon became Director of the Overseas Development Institute in 1997. He is an economist who worked overseas for ten years, in Kenya and India for the United Nations Development Programme, and in Bolivia for the UK Overseas Development Administration, then for 16 years at the Institute of Development Studies at the University of Sussex, latterly as Programme Manager for Poverty, Food Security and the Environment. He has written widely on poverty, food security, agricultural development, and aid.

Alison Evans (Director of Programmes for PPPG – became Director on 1 May 2009)
Alison was, until recently, Director of Programmes for Poverty and Public Policy at ODI. She is an economist working on poverty, public policy and the role of international development assistance. Practical policy experience, including six years at the World Bank, covers poverty reduction strategies (PRSPs), budgetary processes, aid modalities and aid effectiveness, plus evaluation. Other interests include international engagement in fragile states. She has extensive experience in Southern and Eastern Africa, Western Balkans and SE Asia.

John Young (Director of Programmes for RAPID)
John joined ODI in May 2001 after managing the Decentralised Livestock Services in the Eastern Regions of Indonesia (DELIVERI) Project for the Department for International Development (DfID). At ODI he has worked on decentralisation and rural services, information and information systems, strengthening southern research capacity, and the research-policy interface. He leads ODI's Research and Policy in Development Group (RAPID), and also manages the Civil Society Partnership Programme.

Risk management

The Trustees undertake a full risk assessment on an annual basis and monitor progress on a quarterly basis. The aim is to identify the major risks and to ensure that measures are taken to mitigate the impact of those risks as much as is practical. The internal risk policy and risk management processes have been revised and strengthened in the last year which has enabled improved decision making by the Trustees.

The Trustees have identified the following areas of risk:

Leadership

- The process of change around the transition to a new Director will, inevitably, pose risks to ODI; this is being mitigated by provision of strong support from the Board and the Senior Management Team.

GOVERNANCE, STRUCTURE AND MANAGEMENT (continued)

Risk management (continued)

Financial

- Although well over 50% of income is received from DfID, the majority of it represents funds for which the Institute has tendered, rather than being in the form of grants. However, the situation needs to be kept under constant review.

- Competitiveness in an already difficult market is a concern, especially when the Institute is keen to ensure good working conditions for staff and when the financial crisis will undoubtedly impact on ODI's funding.

Personnel

- Work is underway to ensure that individual staff members feel equipped to carry out their roles, to improve succession planning and to improve and streamline systems in order to reduce stress.

- The turnover of personnel in some years can be up to 25%. While this rate is the same as that found in similar organisations, it is being addressed by implementing new ways of managing income targets, improving the work environment and developing more professional management practices to improve employee conditions.

- Regular staff surveys are undertaken to ensure that management are addressing the issues that matter to staff.

Reputation

- A reputation for high quality and timely research and advisory outputs is a key asset and is central to the Institute's success. Maintaining reputation is taken very seriously and in all fields, whether written or verbal, output is scrutinised, checked and is subject to internal and, as appropriate, external peer review.

Travelling overseas

- Many ODI employees travel extensively to undertake their research and advisory work. It is not uncommon for them to travel to countries not recommended by the Foreign and Commonwealth Office. In the last year, ODI has strengthened its travel policy for staff and contractors and has implemented various systems to monitor where staff are and situation in-country.

OBJECTIVES AND ACTIVITIES

ODI is the UK's leading independent think tank on international development and humanitarian issues.

ODI's objectives fit within the Charities Act 2006 definition of 'charitable' by focusing on the prevention or relief of poverty through, specifically, the study, discussion and exchange of information on the economic and social development of nations. This is stated clearly in our mission, which is to inspire and inform policy and practice leading to the reduction of poverty, the alleviation of suffering and the achievement of sustainable livelihoods in developing countries. We deliver our mission by working with our partners in both public and private sectors to lock together high-quality applied research, practical policy advice, and policy-focused dissemination and debate. Those who benefit ultimately from our work are those living in developing regions. As the impact of improved policy for international development is far reaching, nobody is excluded from these benefits.

In 2008-09, the Board and SMT undertook a Strategic Review. The Strategic Framework Paper that emerged outlines the objectives for the organisation for the next five years. Annual business plans, group, programme, departmental and staff objectives all flow from this document. In these regular reviews, the Trustees and managers always have the furtherance of ODI's charitable purposes and, therefore, its impact on, and benefit to, the public in mind.

The primary objectives for 2008-09 were:

- To design and establish **cross cutting themes** to link global changes, international events and the evolving research agenda. These themes, which were launched in 2008, act as a focus to pull together work from across the Institute to inspire and inform policy at a high level, internationally. The themes are: poverty and the Millennium Development Goals (MDGs); the future of aid; growth and globalisation; climate change; risk and the role of the think tank in influencing policy on international development. To use 'poverty and the MDGs' as an example, this theme drew on ODI's work at programme level on chronic poverty, aid, social protection, fragile states, health, gender, humanitarianism and climate change to influence international policy events on the MDGs in 2008, and beyond. We did this through hosting research centre meetings in the UK, by working with our research partners, especially those in the south, by publishing timely briefings and think pieces and by hosting meetings in New York during the high level United Nations (UN), summit on the MDGs in September 2008. The outcome of this work was an acknowledgement within policy circles of the urgency of tackling the lagging MDGs, particularly on gender, the importance of including a social protection goal post-2015, and an acknowledgement that more than just aid is required to achieve the goals by 2015. The work of the RAPID programme on bridging research and policy was central to the success of this work.

- To deliver **22 programmes of work**. The programmes continue to be the focus of the Institute's work, each working on their particular specialism with their particular audience, but also working collaboratively with other programmes, to identify and influence the big picture issues. A good example of a programme that has evolved over the last few years into a fully-fledged, successful and well respected group of experts is the Climate Change programme.

OBJECTIVES AND ACTIVITIES (continued)

The research of this team aims to help in the design of more effective long-term policy responses to the threat of negative climate change impacts and to the needs of the poor. A very successful meeting series on climate change and development early in 2009 showed ODI at its best: convening high quality and practical debate while joining the dots between different policy issues and constituencies operating within the climate change and development field.

- To introduce and embed **new ways of managing income targets**, to allow programmes more flexibility to respond to work opportunities while being proactive in identifying new policy problems and ways of addressing them. These new ways of working are still being bedded in, but promise to allow ODI to continue to be responsive to rapidly changing events in addition to longer term funded research.

- To **consolidate the position of the Institute** and deliver the budget, making effective use of the knowledge, expertise and reputation of ODI. The outturn for the financial year has delivered a small surplus of funds - £335,000. This is a welcome change following four years of deficit and will bolster the reserves in a year when investments have not performed well. It is testament to the quality of our research and outputs that ODI has achieved this in a year where there has been significant financial turmoil. We have demonstrated our ability to respond quickly and very often with unique perspective, most visibly in relation to the global financial crisis and its implications for developing countries. Within a month of the financial collapse of Lehmann Brothers, ODI had launched a critical series of seminars bringing together top experts from the financial and development world to consider the likely scenarios for developing countries arising out of the crisis. Subsequently, our work in this area has focused on increasing understanding of the effects of the crisis and informing national and international discussions on possible solutions for those countries worst hit. We achieved this through an impressive range of publications, targeted workshops and high level conferences, outlined in the following section on impact and benefit.

- To improve **organisational effectiveness** and business processes to deliver improved performance including developing and implementing the information integration system strategy. This work is ongoing; in the last year the focus was on a thorough evaluation of needs and current capacities. This will continue in the coming year with the first elements of the plan being put in place. The aims are to streamline systems and improve knowledge management with a view to increased efficiency and better management.

ODI does not have a formal volunteer or internship programme, but does offer a wide range of intern positions to young people looking to develop a career in international development. Most of these interns provide research support on a project-by-project basis. We have also benefited hugely from the volunteers who assist us in our information centre (in the last year we've had around 36 days support from 3 volunteers). Part of the Institute's forward agenda is to consider options for regularising its approach to offering internships to ensure that both research staff and interns get the maximum value out of the experience.

OBJECTIVES AND ACTIVITIES (continued)

Impact and Benefit

As a charity, ODI must be able to demonstrate that our aims are for the public benefit as required by the Charities Act 2006. The Trustees have all reviewed the guidance issued by the Charity Commission on public benefit and have prepared this report with the guidance in mind.

The Annual Business Plan includes measures to evaluate the work of ODI more effectively, particularly the impact of that work in the South. Evaluation of the impact of our work has been a priority throughout the last year and will continue to be a focus in the coming years. It is important that we provide tangible examples of the positive impact our work has in relation to our mission and objectives; though the very nature of our work (influencing policy) does not lend itself easily to quantitative measurement. Much of what we do happens through the communication of new policy ideas, new evidence or practical solutions that are then taken up across public, private and civil society sectors. As such we have developed tools such as stories of change to help us represent the wider impacts of the work we do. Examples of such stories of change include:

Our work on Economic Partnership Agreements (EPA's) has been extremely influential. EPAs were designed to move the EU away from a preferential trade regime with African, Caribbean and Pacific countries to one based on free trade. They have been criticised as inappropriate when dealing asymmetrical partners with development problems. ODI research gave ammunition to European Union (EU), member states that were critical of the EPAs but could not differentiate between myth and reality until our detailed analyses. Ingrid Kersjes, Policy Adviser on Sustainable Economic Development for the Dutch Ministry of Foreign Affairs, commented that ODI's work in this area was 'invaluable in highlighting what these agreements will mean for individual countries.'

Our work also rallied some 'indecisive' EU member states and resulted in the conclusions of the EU Council that flexibility is required by the European Commission (EC), on EPA negotiations. ODI has been reviewing specific EPAs, working with governments on a confidential basis to identify where and how changes are needed. One country, for example, feared than an EPA would impose heavy costs, but was not fully aware of the costs of not signing. A cost benefit study by ODI showed that either option – signing or not signing – would carry a cost. While it might be possible to address the cost of an EPA, there would be no way to address the cost of remaining outside an agreement. Armed with this information, the country in question has been able to negotiate a more pragmatic EPA deal to reduce the costs of signing.

ODI's work on the reintegration of internally displaced persons (IDPs) and refugees returning to Southern Sudan has shifted the policy debate on reintegration, at both national and international level, from logistics and numbers to the complex social, cultural, economic and political determinants of reintegration. An ODI study in Southern Sudan demonstrated the importance of determinants that can – if neglected – threaten hard-won peace agreements. ODI has worked with the UN Mission in Sudan (UNMIS) since 2007 to analyse reintegration with funding from DfID, CIDA and DANIDA. Research in more than 40 communities across Southern Sudan, and with key players from the government, UN and NGOs provided a vivid picture of the key challenges to reintegration and, by extension, to the peace process.

OBJECTIVES AND ACTIVITIES (continued)

Impact and Benefit (continued)

Land emerged as one of the biggest issues, yet land issues were not being addressed, even in areas where tensions over land were extremely high. The ODI study laid out the most urgent land issues. The Study also revealed that scarce resources can be flashpoints for tensions between those who have returned, and those how never left.

The Study carried these concerns to the highest policy circles. As a result, the Government of Southern Sudan (GOSS) took the lead on a series of workshops in January 2009 to develop an action plan based on its results. Welcoming the Study, Dr. Luka Biong Deng, GOSS Minister of Presidential Affairs said: 'The ODI Study has laid out the critical issues for addressing and sustaining peaceful reintegration of IDPs within the overall implementation of the Comprehensive Peace Agreement'.

In addition, a report of the Secretary-General to the UN Security Council on the protection of civilians in armed conflict made specific reference to our work. The huge interest in this Study from donors, government authorities, academic circles and national and international media, is the result of its focus on three key elements: building on in-house and local expertise; building and maintaining a high level of engagement with key stakeholders; and strategically disseminating the findings.

ODI's work on the global financial crisis has been unique. While most attention focused on the possible impact of recession in rich countries, ODI highlighted the potential implications for the world's poorest countries early on. By October 2008, ODI had mapped out the transmission belts that were carrying the crisis to developing countries, and which countries would be hit by a crisis that was not of their making. By November, ODI had produced an early calculation of the likely damage: a 25% fall in international financial flows to the developing world in the coming year. By January, the Institute was coordinating 10 country studies and providing policy advice to EU development ministers. By February 2009, ODI was suggesting a 'rainbow stimulus' for developing countries that would combine the best of three ideologies: the blue of market forces; the green of environmental sustainability and the red of state interventionism.

In addition, ODI has examined the likely impact of the crisis on children in developing countries, on fragile states in Africa, on small and vulnerable economies, and on trade, private flows and remittances. Leading speakers have debated the crisis at a series of public events.

ODI produced a Development Charter for the G-20 meeting in London – a comprehensive analysis by our leading experts on what the crisis might mean for development, and policy solutions. The Charter was welcomed by research peers around the world.

OBJECTIVES AND ACTIVITIES (continued)

Impact and Benefit (continued)

Meanwhile, ODI worked with more than 40 researchers in 10 developing countries to find out how these countries would be affected by the crisis. The findings of this groundbreaking study were stark: they would be hit harder than expected, and were already seeing falling trade, dwindling remittances and job losses. The Dutch, British, Swedish and Danish development agencies have drawn on the Study to guide consultations with embassies and country offices in developing countries, as well as development policy responses at home.

ODI's work on the crisis has been highlighted by influential media outlets, including the Financial Times, The Economist, The Observer and the Guardian, with interviews on BBC World, BBC HardTalk, CNN and CNBC and elsewhere.

ODI has also played a key role in bringing poverty issues into the tourism agenda. ODI action and influence has taken different forms around three separate, though related, sets of challenges. The first was the challenge of getting poverty issues on the agenda; the second was translating the widespread uptake of pro-poor tourism ideas into results on the ground through influencing, amongst other things, tourism value-chains; and the third has been the challenge of getting poverty issues into the mainstream tourism sector. ODI has contributed successfully on all three counts, and within the UK, to the point where there has been a major step-change in the way big tourism companies view pro-poor tourism.

ODI has an Environmental Task Force, which was been asked by the SMT to reduce the environmental footprint of the organisation. Significant progress has been made during the year on areas such as recycled paper, recycling and energy consumption. The priorities for this group for the coming year will be to implement a travel policy looking to reduce air travel (by increasing use of phone and video conferencing and alternative travel routes when possible) and encouraging cycling to work.

FINANCIAL REPORT FOR THE YEAR

Results for the year

Year on year income rose by £3,347k or 26% to £16,221k (2008 - £12,874k). Resources expended increased by £2,680k or 21% to £15,718k (2008 - £13,038k). After investment losses of £168k, the Institute's funds increased by £335k.

During the year 2008-09, the total number of staff grew by 14% and the number of researchers went from 93 to 110 - an increase of 18%.

Financial position

The balance sheet shows total funds of £2,533k all of which are unrestricted. Funds totalling £103k represent the charity's tangible fixed assets which are not convertible into cash with ease. Details of the movements on the funds are set out in note 14 to the financial statements.

FINANCIAL REPORT FOR THE YEAR (continued)

Financial position (continued)

General funds of the charity at 31 March 2009 amount to £2,430k. These funds are equivalent to the charity's free reserves. The Trustees acknowledge that this level of free reserves falls below the parameters set out in the charity's reserves policy below and they, therefore, intend to continue to build the level of free reserves in future years.

Reserves policy

The charity's significant source of income is project funding. This funding is for a mix of projects, some of which are short term whilst others are long term projects requiring significant ongoing financial commitment and investment. The Trustees have examined the need for free reserves i.e. those unrestricted funds not invested in tangible fixed assets, designated for specific purposes or otherwise committed. The Trustees' desired level of reserves is six months of estimated future annual expenditure. The Trustees are of the opinion that this provides sufficient flexibility to cover temporary shortfalls in incoming resources due to timing differences in income flows, adequate working capital to cover core costs, and will allow the charity to cope with and respond to unforeseen emergencies whilst specific action plans are implemented.

At present it is recognised that current reserve levels fall beneath this target. The Trustees are focussed on building the effective delivery of the core activities delivered by the ODI. They have decided to approach the achievement of the reserves policy by building towards the ideal level over a five to ten year period.

Investment policy

The Institute has investments in the Charinco and Charishare common investment accumulation funds which had a market value of £1,209k at 31 March 2009 (2008 - £1,377k). The funds are managed by Blackrock Investment Management (UK) Limited. The Trustees regularly review the performance of the investments and of the fund managers.

Interest earned by the investments is accumulated within the investment funds and is not normally drawn down for income. The objectives are to ensure the stability of the Institute over the medium to long term and, when deemed appropriate, to add to the investments to match the growth in turnover in recent years.

PLANS FOR FUTURE PERIODS

The Business Plan for 2009-10 carries forward the main thematic developments from 2008-09; it reaffirms the 'think tank' mission of ODI, aiming to inspire and inform policy and practice. Poverty reduction and humanitarian action remain central to our work, and we set ourselves the task of improving our policy impact, through more strategic engagement in policy processes. This will be achieved through high level partnerships with research institutes and think tanks in other countries, particularly in emerging and developing economies and within key policy communities in the Organisation for Economic Co-operation and Development (OECD).

PLANS FOR FUTURE PERIODS (continued)

Within the policy arena, a whole series of international events and milestones are likely to shape debate, and ODI needs to position itself in readiness. There is the UN High level Summit on the response the financial crisis in June, the Italian G-8 in July in which the G-7's commitment to its Gleneagles commitments on ODA will be scrutinised, the follow-up to the G-20 summit on the financial crisis in Pittsburgh in September and the post-Kyoto climate conference in Copenhagen in December, when the basis of a new global deal for climate change action needs to be secured.

The continuing development of ODI's five cross-cutting themes will feed directly into these international policy processes during the year while building an evidence base for more problem-focused policy engagement on critical development issues in future years.

Current programmes of work will support the above, while maintaining their own momentum. The 22 programmes, each managed by a Programme Leader, and grouped under the overall management leadership of a Director of Programmes, will continue to provide the broad spread of expertise and intellectual leadership on critical development issues. Programme Leaders will be supported during the year to bed in new ways of managing income targets and the uncertainties of the changing environment.

The Communication Programme will focus its efforts on promoting the key priority themes and supporting the very wide range of public affairs events and activities taking place across the 22 programmes. An emphasis will be placed on supporting high-value communication opportunities and ensuring that ODI products and services are accessible and available to as wide a range of audiences and users as possible. This includes continued work on our external website, the use of 'edge of network' platforms to engage communities of practice around key development themes, and using a range of media and dissemination tools to excite interest in the knowledge shared by ODI.

The backdrop to the year will be the continuing financial crisis and what this means both for developing countries and for the Institute itself. We are entering a period of greater uncertainty in terms of the prospects for sustained development and the policy and funding environment for international development and humanitarian work. ODI needs to be prepared to manage this uncertainty and needs to ensure that its mission and business model are firmly aligned to respond to changing events.

As this year will be the first with our new Director, the initial focus will be on reviewing internal structures and developments, while bedding in the significant developments of the last year and ensuring that the organisation continues to fulfil its mission.

Priorities will be work on measures that enable the Institute to be pro-active, as well as responsive, in the face of an ever changing development landscape, to continue to win work and build a reputation in our priority areas and to manage our internal business in line with our mission. This will include giving attention to:

PLANS FOR FUTURE PERIODS (continued)

- Our internal structures: ensuring that our programme and management structure is fit for purpose and delivers value for money;
- Our internal systems, in particular, the implementation of systems development and integration to increase the efficiency of core business processes and knowledge management;
- Our staff and reputation, including further investment in training, retention and an improved reward strategy to ensure that staff are properly supported in their work and that ODI's reputation for high quality work is maintained; and
- Fundraising: a review of current policy and key business development objectives going forward.

Signed on behalf of the Board:

Chair

Approved by the Board on: 20 July 2009

Report of the independent auditors to the members of Overseas Development Institute

We have audited the financial statements on pages 19 to 32 which have been prepared under the historical cost convention, as modified by the inclusion of investments at market value, and the accounting policies set out on pages 23 and 24.

This report is made solely to the charitable company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' 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.

Respective responsibilities of Trustees and auditors

As described on pages 5 and 6 the Trustees, who are also the directors of Overseas Development Institute for the purposes of company law are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether, in our opinion, the information given in the trustees' report is consistent with the financial statements.

We also report to you if, in our opinion, the charitable company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Trustees' remuneration and transactions with the charitable company is not disclosed.

We read the Trustees' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charitable company's circumstances, consistently applied and adequately disclosed.

Basis of opinion (continued)

We planned and performed our audit so as to obtain all information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the charitable company's state of affairs as at 31 March 2009 and of its incoming resources and application of resources, including its income and expenditure, in the year then ended;

- the financial statements have been properly prepared in accordance with the Companies Act 1985; and

- the information given in the Trustees' report is consistent with the financial statements.

Buzzacott LLP

Buzzacott LLP
Chartered Accountants and Registered Auditors
12 New Fetter Lane
London
EC4A 1AG

20 July 2009

Statement of financial activities Year to 31 March 2009

	Notes	General funds £	Designated funds £	**Total funds 2009 £**	Total funds 2008 £
Income and expenditure					
Incoming resources					
Incoming resources from charitable activities					
. Research grants and project finance receivable	1	13,277,484	—	**13,277,484**	10,454,178
. Fellowship grants and project finance receivable		2,491,979	—	**2,491,979**	2,285,575
. Publications revenue		137,367	—	**137,367**	113,276
Incoming resources from generated funds					
. Interest receivable		14,480	—	**14,480**	614
Other income					
. Miscellaneous income		21,298	—	**21,298**	9,786
. Gains on foreign exchange	2	278,498	—	**278,498**	10,366
Total incoming resources		16,221,106	—	**16,221,106**	12,873,795
Resources expended					
Charitable activities					
. Research and dissemination of information	3	13,458,501	—	**13,458,501**	10,993,181
. Fellowship activities and services	4	2,217,323	—	**2,217,323**	2,006,031
Governance costs	5	42,073	—	**42,073**	38,907
Total resources expended		15,717,897	—	**15,717,897**	13,038,119
Net incoming (outgoing) resources before transfers and net investment (losses) gains		503,209	—	**503,209**	(164,324)
Transfers between funds	14	63,451	(63,451)	—	—
Statement of total recognised gains and losses					
Net income (expenditure)		566,660	(63,451)	**503,209**	(164,324)
Net unrealised investment (losses) gains	11	(168,234)	—	**(168,234)**	3,950
Net movement in funds	8	398,426	(63,451)	**334,975**	(160,374)
Balances brought forward at 1 April 2008		2,031,853	166,127	**2,197,980**	2,358,354
Balances carried forward at 31 March 2009		2,430,279	102,676	**2,532,955**	2,197,980

Statement of financial activities Year to 31 March 2009

Historical cost net movement in funds	**2009** **£**	2008 £
Net movement in funds (page 19)	**334,975**	(160,374)
Unrealised losses (gains) on investments	**168,234**	(3,950)
Historical cost net movement in funds	**503,209**	(164,324)

Continuing activities

All of the charity's activities derived from continuing operations during the above two financial periods.

Balance sheet 31 March 2009

	Notes	2009 £	2009 £	2008 £	2008 £
Fixed assets					
Tangible assets	10		**102,676**		166,127
Investments	11		**1,208,792**		1,377,026
			1,311,468		1,543,153
Current assets					
Stocks		**—**		44,890	
Debtors	12	**4,641,000**		3,209,101	
Short term deposits		**39,405**		250,000	
Cash at bank and in hand		**719,503**		717,396	
		5,399,908		4,221,387	
Creditors: amounts falling due within one year	13	**(4,178,421)**		(3,566,560)	
Net current assets			**1,221,487**		654,827
Total net assets			**2,532,955**		2,197,980
Represented by:					
Funds and reserves					
Income funds					
Unrestricted funds					
. Tangible fixed assets fund	14		**102,676**		166,127
. General funds			**2,430,279**		2,031,853
			2,532,955		2,197,980

Approved by the Board of Trustees
and signed on their behalf by:

Chair

Approved on: 20 July 2009

Cash flow statement Year to 31 March 2009

	Notes	2009 £	2009 £	2008 £	2008 £
Cash (outflow) inflow from operating activities	A		**(222,968)**		677,390
Returns on investments and servicing of finance					
Interest received			**14,480**		614
Capital expenditure and financial investment					
Payments to acquire tangible fixed assets		**—**		(77,291)	
			—		(77,291)
Management of liquid resources					
Short term deposits			**210,595**		(250,000)
Increase in cash	B		**2,107**		350,713

Notes to the cash flow statement for the year to 31 March 2009

A Adjustment of net incoming (outgoing) resources before transfers and net investment (losses) gains to net cash (outflow) inflow from operating activities

	2009 £	2008 £
Net incoming (outgoing) resources before transfers and net investment (losses) gains	**503,209**	(164,324)
Depreciation	**63,451**	63,448
Interest receivable	**(14,480)**	(614)
Decrease (increase) in stock	**44,890**	(1,857)
(Increase) decrease in debtors	**(1,431,899)**	35,513
Increase in creditors	**611,861**	745,224
Net cash (outflow) inflow from operating activities	**(222,968)**	677,390

B Analysis of changes in net funds

	At 1 April 2008 £	Cash flows £	**At 31 March 2009 £**
Short term deposits	250,000	(210,595)	**39,405**
Cash at bank and in hand	717,396	2,107	**719,503**
	967,396	(208,488)	**758,908**

Basis of accounting

The financial statements have been prepared under the historical cost convention, as modified by the inclusion of investments at market value, and in accordance with the requirements of the Companies Act 1985. Applicable United Kingdom accounting standards (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice "Accounting and Reporting by Charities" (SORP 2005) have been followed in these financial statements.

Incoming resources

Incoming resources are recognised in the period in which the charity is entitled to receipt and the amount can be measured with reasonable certainty.

Grants from government and other agencies have been included as income from activities in furtherance of the charity's objectives. Much of this income is contractual in nature and is credited to the statement of financial activities so as to match the expenditure incurred during any given project. Such a policy ensures that any potential deficits on projects are recognised immediately whereas surpluses are only recognised upon completion of a project.

Other income is deferred only when the charity has to fulfil conditions before becoming entitled to it or where the donor or funder has specified that the income is to be expended in a future accounting period.

Resources expended and the basis of apportioning costs

Resources expended comprise the following:

a. The costs of charitable activities comprise expenditure on the charity's primary charitable purposes. The costs comprise expenditure on:

   - Research and dissemination of information; and

   - Fellowship activities and services.

   The majority of costs are directly attributable to specific activities. Certain shared support costs are apportioned to charitable activities on the basis of the number of staff members employed by each activity.

b. Governance costs include those incurred in the governance of the charity and its assets and are primarily associated with constitutional and statutory requirements.

Tangible fixed assets

All assets with a cost of more than £3,000 and with an expected useful life exceeding one year are capitalised.

Depreciation is provided at the following annual rates, on a straight line basis, in order to write off all other assets over their estimated useful lives:

♦ Leasehold improvements	Over the remaining years of the lease
♦ Furniture, fixtures and fittings	20% on cost
♦ Equipment	33 1/3% on cost

Fixed asset investments

Fixed asset investments are included in the financial statements at their market value as at the end of the financial period. Realised and unrealised gains (or losses) are credited (or debited) to the statement of financial activities in the year in which they arise.

Stocks

Stocks of unsold publications are valued at the lower of cost and net realisable value.

Fund accounting

The general funds comprise those monies and/or net assets which may be used towards meeting the charitable objectives of the charity and may be utilised at the discretion of the Trustees.

The tangible fixed assets fund represents the net book value of the charity's tangible fixed assets.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the net movement in funds.

Leased assets

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to the statement of financial activities on a straight-line basis over the lease term.

Pension costs

Contributions in respect of defined benefit pension schemes are recognised in the statement of financial activities so as to spread the cost of pensions over employees' working lives.

Liquid resources

Liquid resources comprise term deposits with United Kingdom banks.

1 Research grants and project finance receivable

Research grants and project finance were received during the year to be applied by the charity in the following areas of activity:

	2009 £	2008 £
Research and dissemination of information		
. Economic and Statistics Unit Group (ESAU)	**2,916**	32,225
. Humanitarian Policy Group (HPG)	**943,860**	1,201,382
. Active Learning Network for Accountability and Performance (ALNAP)	**585,514**	546,397
. International Economic Development Group (IEDG)	**1,311,088**	1,105,643
. Poverty and Public Policy Group (PPPG)	**3,420,608**	2,650,865
. Rural Policy and Governance Group (RPGG)	**4,753,019**	3,070,673
. Research and Policy in Development (RAPID formerly PARTCOM)	**2,260,479**	1,846,993
	13,277,484	10,454,178

2 Gains on foreign exchange

	2009 £	2008 £
Realised gain on debtors and creditors	**140,010**	-
Unrealised gain on foreign currency bank balances	**138,488**	10,366
	278,498	10,366

3 Research and dissemination of information

	2009 £	2008 £
Staff costs (note 7)	**5,009,019**	4,582,853
Temporary staff	**23,486**	60,259
Research fees payable to consultants and related costs	**3,582,220**	2,483,657
Dissemination of information	**867,674**	597,290
Travel	**1,232,101**	815,994
Support costs allocation (note 6)	**2,409,718**	2,129,451
Other costs	**334,283**	323,677
	13,458,501	10,993,181

4 Fellowship activities and services

	2009 £	2008 £
Supplementation	**1,512,307**	1,352,434
Staff costs (note 7)	**183,783**	168,264
Temporary staff	**2,112**	2,271
Support costs allocation (note 6)	**66,868**	70,395
Other costs	**452,253**	412,667
	2,217,323	2,006,031

5 Governance costs

	2009 £	2008 £
Auditors' remuneration (note 8)	**35,288**	34,167
Legal fees	**3,672**	989
Other costs	**3,113**	3,751
	42,073	38,907

6 Support costs

	2009 £	2008 £
Staff costs (note 7)	**946,277**	754,181
Staff overheads	**438,580**	658,262
Premises	**315,368**	316,415
Communications	**60,875**	71,495
Depreciation	**63,451**	63,448
Other costs	**652,035**	336,045
	2,476,586	2,199,846

The above support costs are apportioned to charitable activities on the basis of the number of staff members employed by each activity as follows:

	2009 £	2008 £
Research and dissemination of information	**2,409,718**	2,129,451
Fellowship activities and services	**66,868**	70,395
	2,476,586	2,199,846

7 Staff costs and Trustees' remuneration

	2009 £	2008 £
Staff costs during the year were as follows:		
Wages and salaries	**5,081,812**	4,538,117
Social security costs	**435,069**	395,295
Other pension costs	**622,198**	571,886
	6,139,079	5,505,298
Temporary staff costs	**310,377**	344,042
	6,449,456	5,849,340

7 Staff costs and Trustees' remuneration (continued)

Staff costs (excluding temporary staff) by function were as follows:

	2009 £	2008 £
Research and dissemination of information	**5,009,019**	4,582,853
Fellowship activities and services	**183,783**	168,264
Support	**946,277**	754,181
	6,139,079	5,505,298

The number of employees who earned £60,000 per annum or more (including taxable benefits but excluding employer pension contributions) during the year was as follows:

	2009	2008
£60,001 - £70,000	**4**	3
£70,001 - £80,000	**3**	6
£80,001 - £90,000	**4**	—
£90,001 - £100,000	**—**	1
£100,001 - £110,000	**1**	1

Of those employees who earned £60,000 or more during the year (as defined above), employer contributions were made to the charity's defined benefit pension schemes in respect of all of them.

The average number of employees during the year, analysed by function, was as follows:

	2009	2008
Research and dissemination of information	**110**	93
Fellowship activities and services	**3**	3
Support	**18**	19
	131	115

During the year ended 31 March 2009 expenses of £763 (2008 - £397) were reimbursed to two Trustees (2008 – 1 Trustee) for attending Board and Council meetings and meetings concerning the recruitment of the new Director.

One Trustee was paid £11,654 (2008 – nil) for project based work. The payment for such services was authorised by the Charity Commission.

The Trustees have taken out trustee indemnity insurance to cover the liability of the Trustees which by virtue of any rule of law would otherwise attach to them in respect of any negligence, default, breach of trust or breach of duty of which they may be guilty in relation to the ODI. The premium paid by the charity amounted to £263 and provided cover of £1,000,000.

8 Net movement in funds

This is stated after charging:

		2009 £	2008 £
Auditors' remuneration			
. Audit services:	Current year	**23,500**	23,823
	Prior year	**3,949**	4,381
. Non-audit services:	Taxation	**1,120**	2,468
	Recruitment	**—**	2,938
	Other services	**6,719**	557
Depreciation		**63,451**	63,448
Operating lease rentals			
. Premises		**315,368**	316,415

9 Taxation

The charity is a registered charity and therefore is not liable for income tax or corporation tax on income derived from its charitable activities, as it falls within the various exemptions available to registered charities.

10 Tangible fixed assets

	Leasehold improvements £	Furniture, fixtures and fittings £	Equipment £	**Total £**
Cost				
At 1 April 2008 and 31 March 2009	203,057	72,487	174,428	**449,972**
Depreciation				
At 1 April 2008	100,507	60,438	122,900	**283,845**
Charge for year	25,638	12,049	25,764	**63,451**
At 31 March 2009	126,145	72,487	148,664	**347,296**
Net book values				
At 31 March 2009	76,912	—	25,764	**102,676**
At 31 March 2008	102,550	12,049	51,528	166,127

11 Investments

	Total £
Listed investments	
Market value at 1 April 2008	**1,377,026**
Unrealised investment losses	**(168,234)**
Market value at 31 March 2009	**1,208,792**
Historical cost of listed investments at 31 March 2009	**655,280**

11 Investments (continued)

At 31 March 2009 listed investments comprised the following holdings in United Kingdom common investment funds:

	£
Charinco accumulation units	**737,257**
Charishare accumulation units	**471,535**
	1,208,792

12 Debtors

	2009 £	2008 £
Grants receivable and accrued income	**4,560,926**	3,068,712
Other debtors	**13,495**	64,119
Prepayments	**66,579**	76,270
	4,641,000	3,209,101

13 Creditors: amounts falling due within one year

	2009 £	2008 £
Grants received in advance	**2,941,872**	2,547,104
Expense creditors	**888,510**	847,277
Social security and other taxes	**144,830**	113,052
Accruals and deferred income	**203,209**	59,127
	4,178,421	3,566,560

14 Tangible fixed assets fund

	£
At 1 April 2008	**166,127**
Transfer from general funds being net movements in year	**(63,451)**
At 31 March 2009	**102,676**

The tangible fixed assets fund represents the net book value of the tangible fixed assets owned by the charity. These assets are of fundamental importance to the charity in carrying out its objectives. As such, a decision was made to separate this fund from general funds in order to demonstrate that the value does not comprise assets that can be realised with ease in order to meet ongoing expenditure.

15 Analysis of net assets between funds

	General funds £	Tangible fixed assets fund £	**Total funds £**
Tangible fixed assets	—	102,676	**102,676**
Investments	1,208,792	—	**1,208,792**
Net current assets	1,221,487	—	**1,221,487**
	2,430,279	102,676	**2,532,955**
Unrealised gains included above:			
On investments	553,512	—	**553,512**
Reconciliation of movements in unrealised gains on investments			
Unrealised gains at 1 April 2008	721,746	—	**721,746**
Unrealised losses in year	(168,234)	—	**(168,234)**
Unrealised gains at 31 March 2009	553,512	—	**553,512**

16 Lease commitments

At 31 March 2009 the charity had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings	
	2009 £	2008 £
Operating leases which expire		
. Within two to five years	**185,500**	170,000

17 Pension commitments

Retirement benefits for employees are provided by two independently administered schemes, which are funded by contributions from the employers and employees. Contributions to the schemes are charged to the statement of financial activities so as to spread the cost of the pensions over the employees' working lives.

Under the definitions set out in Financial Reporting Standard 17, Retirement Benefits, both schemes are classed as multi-employer pension schemes. The Institute is unable to identify its share of the underlying assets and liabilities of the schemes. Accordingly, the Institute has taken advantage of the exemption in FRS 17 and has accounted for its contributions to the schemes as if they were defined contribution schemes. The Institute has set out below the latest information available for each scheme.

The Universities Superannuation Scheme (USS)

The Institute participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is externally funded and contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate trustee-administered fund.

17 Pension commitments (continued)

The institution is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 "Retirement benefits", financial statements for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

The latest actuarial valuation of the scheme was at 31 March 2008. The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments (i.e. the valuation rate of interest) and the rates of increase in salary and pensions. In relation to the past service liabilities the financial assumptions were derived from market yields prevailing at the valuation date. It was assumed that the valuation rate of interest would be 4.4% per annum, salary increases would be 4.3% per annum (plus an additional allowance for increases in salaries due to age and promotion in line with recent experience) and pensions would increase by 3.3% per annum. In relation to the future service liabilities it was assumed that the valuation rate of interest would be 6.1% per annum, salary increases would be 4.3% per annum (also plus an allowance for increases in salaries due to age and promotion) and pensions would increase by 3.3% per annum. The valuation was carried out using the projected unit method.

At the valuation date, the value of the assets of the scheme was £28,842 million and the value of the past service liabilities was £28,135 million indicating a surplus of £707 million. The assets therefore were sufficient to cover 103% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The actuary also valued the scheme on a number of other bases as at the valuation date. Using the Pension Protection Fund regulations introduced by the Pensions Act 2004 it was 107% funded; on a buy-out basis (ie assuming the scheme had discontinued on the valuation date) the assets would have been approximately 79% of the amount necessary to secure all the USS benefits with an insurance company; and using the FRS 17 formula as if USS was a single employer scheme, the actuary estimated that the funding level would have been approximately 104%.

Surpluses or deficits which arise at future valuations may impact on the institution's future contribution commitment. An additional factor which could impact the funding level of the scheme is that with effect from 16 March 2006, USS positioned itself as a "last man standing" scheme so that in the event of the insolvency of any of the participating employers in USS, the amount of any pension funding shortfall (which cannot otherwise be recovered) in respect of that employer will be spread across the remaining participant employers and reflected in the next actuarial valuation of the scheme.

The next formal triennial actuarial valuation is due as at 31 March 2011. The contribution rate will be reviewed as part of each valuation.

The total pension costs for the charity under this scheme were £464,649 (2008 - £453,800). The contribution rate payable by the charity was 14 % of pensionable salaries.

17 Pension commitments (continued)

Superannuation Arrangements of the University of London (SAUL)
The charity also participates in the Superannuation Arrangements of the University of London, a centralised defined benefit scheme for all qualified employees with the assets held in separate trustee-administered funds. The charity has now adopted FRS 17 for accounting for pension costs. It is not possible to identify the charity's share of the underlying assets and liabilities of SAUL. Therefore contributions are accounted for as if SAUL were a defined contribution scheme and pension costs are based on the amount actually paid (i.e. cash amounts) in accordance with paragraphs 8 to 12 of FRS 17.

The scheme is subject to triennial valuation by professionally qualified and independent actuaries. The last available valuation was carried out as at 31 March 2008 using the projected unit credit method in which the actuarial liability makes allowance for projected earnings. The following assumptions were used to assess the past service funding position and future service liabilities:

	Past service	Future service
Valuation method: Projected		
Investment return on liabilities		
-before retirement	5.50% per annum	6.50% per annum
-after retirement	4.50% per annum	4.50% per annum
Salary growth*	4.15% per annum	4.15% per annum
Pension increases	2.65% per annum	2.65% per annum

*excluding an allowance for promotional increases

The actuarial valuation applies to the scheme as a whole and does not identify surpluses or deficits applicable to individual employers. As a whole, the market value of the scheme's assets was £1,266 million representing 100% of the liability using the Technical Provision basis and 83% of the liability using the Secondary Funding Objective.

Following the latest valuation the employers contributions have remained at 13.0% of salaries. Member contributions have also remained at 6.0% of salaries.

Employers who have recently joined SAUL ("New Employers") and certain employee groups (as agreed by the trustee of SAUL), will pay 19.2% of salaries per annum from August 2006 until the second actuarial valuation after entry (or some other period as agreed with the trustee).

A comparison of SAUL's assets and liabilities calculated using assumptions consistent with FRS 17 revealed the scheme to be broadly balanced at the last formal valuation date (31 March 2008).

The next formal valuation is due at 31 March 2011 when the above rates will be reviewed.

The total pension costs for the charity under this scheme were £157,549 (2008 - £118,086). The contribution rate payable by the charity was 10.5% of pensionable salaries.