Overseas Development Institute

Annual Report and Financial Statements

31 March 2018

Company Limited by Guarantee, registration number 661818 (England and Wales)

Charity registration number: 228248

Contents

REPORT OF THE TRUSTEES

Reference and Administrative Information

Company Secretary	Teja Zbikowska (resigned May 2017, reappointed June 2018) Helen Wailling (appointed May 2017, resigned June 2018)
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ODI Company registration number	661818 (England and Wales)
ODI Sales Ltd Company registration number	7157505 (England and Wales)
Charity registration number	228248
Auditor	haysmacintyre 10 Queen St. Place London EC4R 1AG
Bankers	National Westminster Bank plc Commercial Banking 3rd Floor Cavell House 2a Charing Cross Road London WC2H 0NN
Investment managers	Veritas Investment Management LLP Elizabeth House 39 York Road London SE1 7NQ
Solicitors	Blake Lapthorn New Kings Court Tollgate Chandler's Ford Eastleigh, SO53 3LG

Objectives and Activities

Charitable Objects and Mission

The Institute's primary object, as set out in our Articles of Association, is to promote the study and discussion of and the exchange of information upon the economic and social development of nations, and the influence thereon of various policies, actions and institutions.

Our strategic priorities

Our strategic priorities reflect the changing context in which ODI works, focusing on areas where we are well-placed to identify practical, evidence-based solutions to real problems and to inform wider policy dialogue. The aim: to maximise the impact of our resources at every level. We will mobilise the full and combined weight of our research, communication and convening capabilities around these priorities, working with others to increase our impact and influence.

Everything we do, from research to policy guidance, and from convening to communications, is based on the five pillars of our strategy, launched in 2014:

1. **Leave no-one behind:** Eradicating absolute poverty and equalising opportunity:
2. **Building sustainable futures**: Promoting effective action on climate change and managing resources sustainably
3. **Saving lives, reducing vulnerability:** Protecting people threatened by conflict, disasters and insecurity
4. **Effective institutions, engaged citizens:** Building accountable and inclusive institutions
5. **Transformative growth:** Increasing productivity and creating jobs through transformative growth.

This was the final year of this strategic plan. During the last financial year, ODI undertook the development of new five-year strategy which included a review of our external environment, a rearticulation of our theory of change and the identification of new strategic priorities. It also makes several institutional commitments. The strategy was successful launched in May 2018 and has received positive feedback from a range of important key external partners.

Our Activities in 2017/18

ODI works across a wide range of sectors and issues that have a direct impact on the well-being of the poorest people in poor countries. We have 15 core research programmes, grouped under three clusters, a public affairs and communications department and five central teams that ensure the successful operation of the Institute and the delivery of our strategic priorities. Each research programme undertakes a variety of projects every year that focus on their specific areas of expertise. Some larger pieces of work also cut across programmes, drawing on the knowledge and skills of a range of research teams.

In addition to these core programmes, ODI hosts important networks and consortia, including the Humanitarian Practice Network (HPN) and the Active Learning Network for Accountability and Performance in Humanitarian Action (ALNAP). It also hosts long-term multi-partner research initiatives such as the Secure Livelihoods Research Consortium (SLRC), Gender and Adolescence: Global Evidence (GAGE), Building Resilience and Adaptation to Climate Extremes (BRACED, and the Global Property Rights Index (PRIndex). ODI also publishes two academic journals, The Development Policy Review and Disasters.

Public Benefit

In setting the objectives above and planning the activities of ODI, the Trustees have given careful consideration to the Charity Commission's general guidance on public benefit. Examples of our activities undertaken can be found in the Strategic Report, below.

ODI’s mission is to lead the reduction of poverty, the alleviation of suffering and the achievement of sustainable livelihoods in developing countries. ODI achieves this mission by locking together high quality applied research, practical policy advice, and policy-focused dissemination and debate. To do this, we work with partners in the public and private sectors, in both developing and developed countries.

Structure, Governance and Management

ODI is an independent think tank with almost 250 staff.

Group constitution

ODI was founded in 1960 and is a charitable company limited by guarantee. The Charity has a wholly owned trading subsidiary, ODI Sales Limited, which provides an alternative corporate mechanism to further the charitable objectives of ODI. ODI Sales Limited has a Board of three Directors, who are Trustees for the Charity. Both the Charity and the trading subsidiary have a Memorandum and Articles of Association as their governing documents.

The Board of Trustees

The Institute is governed by a Board of up to 12 Trustees, chaired by James Cameron.

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

Trustee recruitment and training

Trustees can serve for up to three terms of three years on the Board. ODI aims to maintain a balance amongst the Trustees to include research, academic, business and political expertise and knowledge, as well as diversity. Trustees are both Charity Trustees and Directors under company law. In order to maintain an effective Board with the appropriate skills and experience, the Trustees undertake a regular skills evaluation.

The Board is self-appointing. When elected, Trustees are provided with a Trustee Pack with information on the constitution, annual cycle, various relevant terms of reference, job descriptions of senior staff, business and strategic plans, accounts, relevant internal policies and references to relevant laws, regulations and sources of information. They are also given a detailed induction.

Members' liability

The Members of the charitable company comprise the Trustees and in the event of the Charity being wound up, the current Trustees, and those who had left the Board in the previous year, are required to contribute an amount not exceeding £1 (as ODI is a company limited by guarantee). The Institute's insurance policies indemnify Trustees up to £5 million.

Statement of Trustees' responsibilities

The Trustees are responsible for preparing the Trustees' report and financial statements in accordance with applicable law and United Kingdom Accounting Standards. Company law requires the Trustees to prepare financial statements for each financial year that give a true and fair view of the affairs of the group; the incoming resources and their application, including the income and expenditure of the group. In preparing these financial statements, the Trustees have:

- selected suitable accounting policies and then applied them consistently;

- observed the methods and principles in the Statement of Recommended Practice (Accounting and Reporting by Charities);
- made judgements and estimates that are reasonable and prudent; and
- noted that applicable UK Accounting Standards have been followed and any material departures disclosed and explained in the financial statements and prepared the financial statements on the going concern basis.

The Trustees are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the Charity 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 Charity and the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Each of the Trustees confirms that: so far as they are aware, there is no relevant audit information of which the Charity's auditor is unaware, and that they have taken all the steps that they ought to have taken as a Trustee in order to make themselves aware of any relevant audit information and to establish that the Charity's auditor is aware of that information. This confirmation should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

The Trustees are also responsible for the maintenance and integrity of the Charity and financial information included on the ODI website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Organisational Structure and Reporting

The Board meets formally four times a year and is responsible for strategy, reviewing progress against business and strategic plans, results versus the budget, the final income and expenditure for the year, new or amended policy, risk management and other applicable current projects. Its role is to direct and guide management. They also meet informally at least once each year.

The Board also has the following sub-committees:

- Finance, Audit and Risk Committee, which meets four times a year in advance of each Board meeting;
- The Reward and Remuneration Committee, which meets at least once a year; and
- The Nominations Committee, which meets once or twice a year depending on requirements.

When necessary, the Trustees ask management to seek professional advice from solicitors and accountants etc. A certain level of authority is delegated to the Executive Director via the organisation's Statement of Delegated Authority.

Management is responsible for the day to day running of the Institute, the implementation of policy and ensuring that goals and objectives are attained. The Executive Director, Alex Thier is supported by a Senior Leadership Team (SLT). The role of the SLT is to provide strategic leadership of the Institute. This involves:

- developing the strategic vision and the annual business plans with the Board and in line with the Institute’s mission, and ensuring that progress is monitored;
- maximising the strengths and capacity of the organisation and overseeing the delivery of value for money
- managing reputation, risk and change – again with the Board; and
- taking strategic decisions on research programmes, fundraising, public affairs, finance, human resources, IT and premises.

The Heads of Programmes and Departments are an important component of the Institute’s management framework. Heads of Programmes are at the forefront of ODI’s mission and business and are responsible for much of the Institute’s direct fundraising, research and advisory support and line management of research staff.

Setting remuneration

Our staff drive ODI’s success. As such it is imperative that we strive to recruit and retain the best people. In order to ensure that ODI remains competitive within the marketplace we undertake a regular benchmarking against comparable organisations. This exercise covers all staff, including executive remuneration, and is undertaken by the Hay group. The results of the benchmarking, are analysed alongside our internal operational performance to understand the remuneration options available. These form the basis of recommendations that are discussed by the SLT and Board.

Salaries for senior staff are then discussed at the Reward and Remuneration Committee. This is formed from a sub-set of the Trustee board and meets annually. In setting salaries for senior staff, the Reward and Remuneration Committee is mindful of the external benchmarking results, the organisational budget and individual performance. Full details of staff costs for the year are shown in note 10 to the financial statements.

Disabled employees

Full and fair consideration is given to the employment of people with disabilities, having regard to their aptitudes and abilities. Wherever possible continuing employment is provided for employees who become disabled, with appropriate arrangements for re-training being made where necessary.

Employee involvement

ODI places significant emphasis on its employees' involvement in the business at all levels. All employees are kept informed of issues affecting the Institute through formal and informal meetings. Regular staff meetings are held to discuss matters of current interest and concern with employees.

STRATEGIC REPORT

Achievements and Performance in 2017/18

Despite a challenging external environment, ODI has, successfully delivered a large programme of work, encompassing research, advisory, convening and external affairs to support the achievement of the final year of the 2014 strategic plan.

Our external environment

International development experienced significant negative press following the exposure of a series of high profile scandals, the impact of which has been felt by the whole sector. In response to this, ODI acted quickly to provide DFID and the Charity Commission with assurances that we have appropriate measures in place to protect vulnerable people and ensure that we have an organisational culture where staff feel valued and respected. This afforded us the opportunity to review and revise some key policies, such as safeguarding and whistleblowing, which we are confident are now robust and fit for purpose.

We have also seen new leadership at the top of our largest partner and funder, DFID, with a new Secretary of State, Permanent Secretary, Chief Economist and Chief Scientific Officer. This creates an important opportunity for ODI to build and strengthen this key relationship.

Brexit continues to dominate the political debate in the UK, and media attacks on the UK's aid budget continue. At the international level, there is growing concern that momentum is slipping on key international agreements, such as the SDGs and the Paris agreement, and the multilateral system is failing to reach agreement on how to tackle the challenges of conflict and crises, migration, climate change and global trade. More broadly, there is a concern that there is a pivot towards nationalism and isolation over international engagement at a time when the world is facing a set of difficult issues that can only be solved though collective global action.

Maintaining our external visibility

In the last year, ODI secured over 3,300 media hits, including coverage in influential media outlets such as the FT, The Economist and the BBC and we have increased our reactive broadcast coverage. Our digital and social media channels have also performed very well with almost 1,000,000 visitors to the ODI website and over 100,000 followers on twitter. Our newsletters continue to perform well, with over 30,000 subscribers and above industry open and click-through rates.

This work has continued to position ODI as a leading expert on current and global affairs. For example, our response to the on-going Rohingya crisis, the appointment of the new UK Secretary of State, the US withdrawal from the Paris climate agreement, and the outcome of the China Party Congress, all generated significant media coverage and drove traffic to our website. It is also some of ODI's best performing content in terms of reach and engagement. However, it has sometimes been difficult to secure the time needed from researcher to provide quick analysis of external events given their busy workloads and research project delivery expectations.

In response to the new General Data Protection Regulation (GDPR), which came into effect after the year-end, ODI undertook an institutional review of our approach to data and contact management. In communications, we reviewed and consolidated our newsletters and reconfirmed recipients' consent and we procured a new and compliant newsletter delivery-provider. While important, this process absorbed a lot of staff time and resource which was particularly challenging given ambiguous guidance and uncertainty about the application of the Regulation. However, we are confident that the action we have taken has enabled ODI to strengthen its approach to data management and communications.

Supporting the achievement of our strategic priorities

Over the last year, ODI has published major reports and analysis on all five of our strategic priorities.

For example, in support of our work on strategic objective 1 (Leave no-one behind: Eradicating absolute poverty and equalising opportunity) we developed and launched a new 'leave no one behind index' in July 2017 at the High Level Political Forum at the UNHQ in New York. While the index attracted interest and engagement from our engaged SDG audience, the apparent diminishing political momentum on the SDGs have added a degree of complexity to the achievement of this work.

Two of ODI's most successful publications in 17/18 support strategic objective 2 (Building sustainable futures: Promoting effective action on climate change and managing resources sustainably). Our reports on coal and European support for fossil fuel subsidies generated significant media coverage and engagement from key partners and policy-maker. However, the US withdrawal from the Paris Accord has created a difficult political environment for action on climate change. ODI issued a response to the withdrawal, including commentary and BBC broadcast coverage with the Executive Director.

Overall in the last year, ODI published 275 publications, including three flagship reports on coal, road safety, and European support for fossil fuel subsidies. Other publications that generated particular interest included*: Understanding public attitudes towards refugees and migrants; The politics of the results agenda in DFID: 1997-2017; 10 things to know about the future of water and sanitation; Migration and the 2030 Agenda for Sustainable Development; the ODI 'Leave No One Behind Index'; Global development trends and challenges: horizon 2025 revisited*; and *Climate change, migration and displacement.*

ODI's high volume of publications all make an important contribution to the achievement of ODI's strategic plan. However, it has been challenging to manage this volume while ensuring that it delivers influential impact through dissemination, outreach and engagement.

Over the last year, ODI has significantly expanded its work on migration, in response to unfolding events. This was somewhat outside the scope of the current strategy and therefore stretched staff capacity and resources. However, we were confident that we had an important contribution to make. ODI quickly identified areas of expert comparative advantage which included exploring migrants' journeys and the link between migration and the achievement of the SDGs. During the year, we secured funding to expand this work, which has generated significant engagement, especially at senior

UN levels. While this work was difficult to initiate, ODI's insights and ideas are much valued by partners which led to ODI being asked to act as an adviser to the Global Compact on Migration negotiations.

In terms of our convening activity, ODI hosted 72 events in London and around the world with 297 speakers and over 9,000 participants. These include high-profile institutional events with Kate Osamor; Nobel Laureate Professor Muhammad Yunus; Rt Hon Penny Mordaunt; Rt Hon Patricia Scotland QC - Secretary General, Commonwealth; Hon Francine Baron - Minister of Foreign Affairs and Caricom Affairs, Commonwealth of Dominica President of Mauritius and UN Special Representative for International Migration, Louise Arbour. These have created opportunities to showcase our work and our experts, and to bring people together to discuss and debate solutions. Although it remains challenging to secure high-profile speakers, the return on investment is high in terms of ODI's profile and reputation, as well as our ability to present our work to important and influential audiences. This year, ODI has expanded the number of events we have hosted in other countries in order to broaden our impact. Some of these have worked well, while others have provided valuable experience for our future programming. Throughout the year, we have captured key learnings from these events and are actively applying this to future ones. Our convening has also supported our effort to secure funding for research. For example, ODI curated the humanitarian programme at the WEF Annual meeting which led to new funding to support our work on humanitarian financing.

In terms of our UK and parliamentary engagement, ODI provided written evidence to five committees on eight enquires and provided oral evidence on two occasions. ODI's evidence was quoted in the International Development Committee's inquiry report on DFID's work in supporting education, and in their inquiry report on the Rohingya crisis and our work was cited in formal parliamentary proceedings on 12 occasions. We also hosted a parliamentary event on humanitarian and foreign policy which was attended by 20 senior MPs and peers. ODI delivered a programme of work on the UK general election including events, publications, analysis and reactions, and we also delivered a comprehensive communications and engagement package marking 'DFID @ 20' which generated lots of interest including follow-up invitations to the researcher to present the findings to a senor team at DFID and to brief the IDC and key MPs.

This year, ODI has also launched a new programme of association, The ODI Distinguished Fellows, with Lilianne Ploumen and David Donoghue. We aim to expand the programme to five in 2018/19.

The ODI Fellowship Scheme

The ODI Fellowship Scheme gives highly qualified postgraduate economists and statisticians the unique chance to work in developing country public sectors as civil servants. Since the Scheme began in 1963, ODI has worked with more than 40 country governments and regional organisations to place over 1,000 Fellows in postings around the world. Postings fall under three streams: economics, statistics and financial inclusion – the key areas in which governments want to develop their own capacity. This year, the Fellowship Scheme posted 50 new ODI Fellows to 24 countries and regional organisations, with a focus on countries with low incomes and high poverty rates.

Plans for future periods

In May 2018, ODI launched its new five-year strategy, setting the agenda and direction the work and impact of the Institute. Extraordinary gains have been made in the life span, literacy and food security of the world's poorest in recent decades. This progress was not inevitable. Nor is it irreversible.
We are also living in a time of rapidly changing technology, norms and power structures, affecting everything from the future of our planet to the food and energy we consume to how we access information and evidence. Geopolitically, we have arrived at a moment of deep uncertainty.

Many of the challenges facing the world – climate change, violent extremism, rising authoritarianism, financial instability, inequality, pandemics, the future of work – affect all countries, rich and poor. And complex global challenges require multifaceted and evidence informed solutions. ODI brings multiple perspectives, disciplines and tools to understanding these complex and interconnected problems. We work with a wide range of partners to collect robust evidence, find and test creative solutions, and engage with those who have the power to change policy, practice and approach.

Our work addresses four key global challenges and explores the tools and approaches (risks and enablers) needed to enable progress and address risks. Our multidisciplinary approach combines research, advisory work, convening and communications.

1) Ending Extreme Poverty and Reducing Inequality

Progress in eliminating extreme poverty and reducing inequality is too slow if we hope to achieve the global commitments in the Sustainable Development Goals (SDGs). In some places, trends are going in the wrong direction. Our work has been at the forefront of understanding poverty, inequality and exclusion, identifying barriers to addressing these issues, and influencing research and policy agendas to accelerate progress. We are continuing to dig beneath data averages to uncover where inequalities are deepest, and to lead on defining and embedding 'no one left behind', with a focus on women and girls, disabled people and others experiencing persistent discrimination and displacement.

The impact we seek

- We will put the global commitment to end extreme poverty and address corrosive inequality at the top of international, national and subnational agendas.

- We will proactively influence policy and investment choices to prioritise the poorest and most marginalised people first and will track and analyse the progress being made.

- We will bring together partners and data to galvanise action and accountability.

2) Transforming economies and the future of work

Current patterns of economic growth in high- and low-income countries are neither sufficiently sustainable and inclusive nor producing enough high-quality work – especially for women and young people. There is too little economic activity in fragile and conflict-affected states. These trends exacerbate disaffection, conflict and inequality, and limit resilience to economic shocks. Our analysis and policy advice inform and shape the debates, policies and institutions helping to transform economies and create more – and better quality – work for all. We work to understand trends and overcome constraints in political economy; the use of new technology; and gender, demographics and other dimensions of poverty and inequality. We will assess the impact of globalisation and the potential for innovation by operating between global trends and country-level policies and outcomes.

The impact we seek

- We will increase support to enable lower income and fragile countries to make decisions and attract investments that create inclusive and sustainable economic transformation and job creation.

- We will work closely with global institutions to impact rule-making and policy-making and create incentives for positive change.

- We will assess the dynamic impacts of demographics, migration, globalisation and technology on organisations and societies.

3) Ensuring sustainable water, land, food and energy

As consumption of food, water, energy and other natural resources rise, the world is not on track to effectively mitigate and adapt to climate change or manage its finite resources sustainably. And those who are socially, economically, culturally or politically marginalised are affected first – and worst. ODI looks at the pressure points between poverty eradication and sustainable resource management and governance, examining data and technology, incentives and financing, and institutional innovation. We support governments, communities and industries to answer difficult questions, to ensure sustainable transitions in energy, land, agriculture, and water (and the connections between them) and address key challenges of poverty eradication, climate action and natural resource management.

The impact we seek

- We will bring together the development, humanitarian and climate communities to integrate sustainability approaches, and highlight the links between climate change and the lives of the poorest people.

- We will support governments, international organisations and the private sector to make decisions based on an enhanced understanding of future climate and resource trends and how to effectively manage and mitigate emerging risks.

- We will facilitate transitions in energy, water, food systems and land, and a shift to more sustainable and efficient production and consumption patterns.

4) Preventing conflict and violence and addressing fragility

As the duration and consequences of conflicts and violence increase and the international system falters, a just and lasting peace remains elusive for far too many. Our work seeks to understand and disrupt the drivers of conflict that kill, injure and displace millions every year. Engaging with our wide global network, we support a multitude of actors to develop coherent and comprehensive efforts to prevent and mitigate the impacts of crisis and fragility, and support states and their citizens to achieve long-term peace and stability.

The impact we seek

- We will identify and encourage operational and behavioural changes in the way that international actors understand conflict and prevent and respond to crisis. This includes more devolved humanitarian action, where local response is genuinely valued, supported and enabled.

- We will develop new approaches to de-risk investments that support inclusive growth in fragile and conflict-affected countries.

- We will deepen understanding of the drivers of armed conflict and violence, including violent extremism, and will develop ideas and evidence to incentivise investments in prevention.

Managing and mitigating risks

The rate, frequency, intensity and nature of risks are rapidly changing. Interconnected global risks threaten progress in human development, and our world is not well positioned to understand, manage and mitigate them. To develop meaningful policies and allocate resources, citizens and decision-makers must understand emerging and interdependent risks, opportunities and uncertainties. Understanding and acting on risk is a foundation for effective poverty reduction, development and humanitarian action. Risk-informed development pushes us to ground our actions in the problem: are we prepared for shocks and crises, and do we really understand them? How can we demonstrate that investing in prevention is both politically and economically the right choice? Are we focusing on the most appropriate solutions?

ODI is developing a robust, interdisciplinary platform that identifies new and emerging risks, develops evidence-based strategies to manage vulnerabilities and uncertainty, and provides decision-making support and options for policy-makers, donors and the private sector.

The impact we seek

- We will ensure decision-makers in government, the private sector and civil society are better informed about how to identify and manage risks, trends and opportunities.

- We will foster collaboration between those working on climatic, conflict, pandemic and economic risks to identify joined-up approaches to addressing these challenges.

- We will identify opportunities, tools and partnerships to scale up investments that effectively prevent risks, build resilience and improve millions of lives.

Unlocking the enablers of progress

Politics, finance and technology ultimately define the shape and scale of progress. Understanding and unlocking these enablers is at the heart of ODI's approach to identifying what works, where and why. Grounded in local contexts, our work supports policy-makers and practitioners to 'do development differently'. We achieve this by working with them to integrate evidence, foresight, citizen perspectives and learning into decision-making, and to adaptively manage their efforts. Politics and institutions set the agenda and pathways for long-term advancement, and our work will increase understanding of the political economy of change and how to strengthen the social contract though accountable and inclusive institutions. At the same time rapid changes in technology are also having profound impacts. Our work on digitalisation, automation, access to finance and connectivity, and our new initiative on technology and development will move this critical agenda forward with diverse partners. We will remain at the forefront of the transformation in financing for development and humanitarian assistance, incorporating new partners, tools and approaches. As an adaptive organisation, we will also continue to focus on emerging issues with great positive and disruptive potential and support our partners to do likewise. We will increase our pioneering work examining how migration impacts the achievement of the SDGs.

The impact we seek

- We will help our partners to understand how innovations in finance and technology can scale up impact and citizen engagement, while mitigating the negative aspects of rapid disruption.

- We will support development actors at all levels to make decisions based on better evidence and increased understanding of institutions and politics, and to increase their effectiveness and accountability by adapting their strategies and implementation.

- We will provide an evidence base and collaborative platform to address both the challenges and the potential of migration and displacement.

Our staff and values

ODI began its journey almost 60 years ago. The Cold War, decolonisation, the birth of development banks and agencies, the green revolution – all spurred the acute need for evidence and engagement about what was and wasn't working. Throughout its growth and evolution, ODI has stood as a key partner to those actors and institutions seeking progress and an end to the tyranny of poverty and conflict. To deliver ODI's ambition, we will continue to evolve and ensure we are the partner of the future. These changes will be guided by this strategy's four overarching principles. This also means commitment to living our values – to diversity and equality, to sustainability, to inclusion and transparency.

Our people are our greatest asset and our success is testament to their hard work, entrepreneurial spirit, skill and dedication. To achieve this we will set goals, take deliberate steps and measure the following:

- We will further enhance our inclusiveness and the diversity of our people and partners.

- We will reduce our gender pay gap to 5% in either direction.

- We will track our carbon footprint and make significant cuts on a clear path to carbon neutrality.

- We will ensure that all our publications and digital platforms meet a high standard of accessibility for disabled people and those with impairments.

- We will transition from using terms such as 'developing' and 'developed' that create false distinctions between countries, communities

Financial and Operational Performance

2017/18 has been a year of transition for ODI. The new five-year strategy outlines an ambitious and exciting future direction for the organisation, but this will take place against a backdrop of significant change in the external operating and funding environments. The process of developing a new strategy has provided the opportunity for us to reflect on how we are best placed to deliver critical impact and insight while remaining sustainable and effective.

2017/18 marked a departure from the recent trend of increasing income. Total income declined by 14.4% to £35.3m (2017: £41.3m), in part due to the receipt of two significant restricted grants from the Bill and Melinda Gates Foundation which were recognised in full prior to year-end in 2016/17, with related expenditure incurred during 2017/18. This decline does however also reflect a more structural trend in our funding away from flexible income to more restrictive and competitively tendered funding. In anticipation of this transition, ODI has been exploring ways of diversifying our income streams. This has culminated in the publication of a new fundraising strategy and the appointment of the new role of Director of Development. These steps will help us maintain our position as a leading provider of high-quality research while generating the funds needed to deliver our strategic ambition and impact

ODI failed to secure the forecast levels of restricted income during 2017/18, requiring the Institute to use unrestricted reserves to finance a greater proportion of costs than expected. ODI also incurred a significant foreign exchange loss, in-part due to market volatility post-BREXIT. As a result, the organisation ended the year with an unrestricted loss of £2.2m. Although the organisation holds reserves which it uses, in part, to help mitigate the risks of working in a complex environment with fluctuating income streams, this is not sustainable in the long-term. The Board of trustees has tasked the Senior Leadership Team (SLT) with developing a robust operational plan that, together with the initiatives aimed at diversifying income, will ensure the ongoing financial sustainability of the Institute, while rebuilding the level of reserves within the agreed target range.

As part of this, it is critical that we operate as effectively and efficiently as possible, allowing us to maximise the resources that we can channel into delivering impact. ODI will continue to explore ways of reducing cost and increasing efficiency, including utilising technology to streamline our business processes.

Reserves policy

The creation and maintenance of reserves is critical to enabling ODI to manage risk and respond to unexpected shocks. As such, the charity's reserves fulfil an important element of Trustees' responsibilities towards the charity's stakeholders.

The Trustees regularly evaluate the level of reserves, using Charity Commission guidance. When considering the appropriate level of reserves to hold, the Trustees review the level of organisational risk and the potential impact of a major incident. At the latest review, the Trustees felt that a level of unrestricted reserves in the range £3-7m would be sufficient to mitigate the current organisational level of risk.

As at 31 March 2018, the level of unrestricted reserves stood at £2.3m. This is below the target range set by the Trustees. The organisation is committed to holding reserves within the target range and the Trustees have tasked management with developing a plan to ensure that this is achieved over the next three years.

ODI also holds two designated funds. The first represents the net book value of the tangible fixed assets held 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 the fund from the "free" unrestricted funds in order to demonstrate that the value does not comprise assets that can be realised with ease in order to meet ongoing expenditure. As at 31 March 2018 the value of the assets held in this designated fund was £722k (2017: £779k). The second designated fund represents the planned future investment in ODI's finance and project management systems. This investment is expected to occur over the period 2017-2019. The value of this fund as at 31 March 2018 was £250k (2017: £250k).

ODI has £7.5m of carried-forward restricted funds that are used for specified purposes laid down by the donor. A full description of each fund can be found in note 19 to the financial statements.

Investment policy

The Institute's investments are managed by Veritas Investment Limited. The funds are held in a variety of market investments and are being managed in accordance with the risk, liquidity and ethical requirements of ODI. As at the 31 March 2018 the investment portfolio was valued at £2.24m, representing an unrealised gain over historic cost of £380k. Investment performance is regularly reviewed by the Trustees against a benchmark of CPI + 3%. Further details of the investments can be found in the notes to the financial statements.

Principal Risks and Uncertainties

The Trustees undertake a full risk assessment on an annual basis and monitor progress quarterly. This process is supported by the Finance, Audit and Risk Committee of the Board, who assess risk in detail at each of their quarterly meetings. The aim is to identify the major risks to the Institute and to ensure that measures are taken to mitigate the impact of these risks as far as is practical. The internal risk-management processes are integrated into the annual business planning and reporting cycle, which has enabled improved decision-making by the Board. The key risks identified by the Board during 2017/18 were:

- **Strategic** – there is a risk that continuing changes in the external funding environment will make it more difficult for ODI to deliver its mission. We continue to mitigate this risk by working to diversify our income wherever possible and seek out new audiences and partnerships. We have also implemented a programme reinvestment scheme to allow research teams to invest in innovative new lines of research that might not otherwise be funded. We will closely monitor the impact to the organisation of the UK leaving the European Union.

- **Funding environment** – increasingly challenging commercial procurement practices and contractual terms are placing pressure on ODI's ability to recover the costs of and invest in its core infrastructure. ODI is working to mitigate this by increasing efficiency and generating new business propositions.

- **Financial resilience** – financial resilience and cashflow are being monitored on a regular basis. A review of processes is being undertaken in the coming year that will enable ODI to identify issues at an early stage.

- **Operational delivery** – risks around operational delivery include threats to traveller safety and the possible financial and reputational impacts of the failure of a major high-profile contract. Travel security remains fundamental to our operations and our systems for ensuring the safety of those who travel are robust following the appointment of a Global Security manager during the last year; incorporating traveller tracking, alert services, training prior to high risk travel and full security inductions. Contract management and quarterly financial review processes have also been developed considerably to allow the early identification of potential issues.

- **Recruitment and Retention** – while failure to attract and retain quality human resources is always a potential risk for ODI, the Board currently assess the likelihood of this risk occurring as low. Our HR team continues to put in place procedures and structures that will allow us to diversify our staffing base and draw in more in-country expertise.

- **Approach to fundraising:** The charity is aware of the Charities (Protection and Social Investment) Act 2016 and the Trustees support the aims of this legislation. The majority of the charity's income comes from other charitable and statutory bodies. The charity undertakes very little direct fundraising activity involving individual donors. The charity considers the origin of unsolicited donations and legacies. The charity does not share with or purchase any donor data from third parties. In 2017/18 the charity did not engage with independent professional fundraisers and did not receive any complaints in relation to fundraising or raise any matter with regulators.

*Trustees Report and Strategic Report s*igned on behalf the Board:

James Cameron, Chair

Approved by the Board on 16th July 2018

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF OVERSEAS DEVELOPMENT INSTITUTE

Opinion

We have audited the financial statements of the Overseas Development Institute for the year ended 31 March 2018 which comprise the Consolidated Statement of Financial Activities, the Consolidated and Charity Balance Sheets, the Consolidated Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

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.

In our opinion, the financial statements:

- give a true and fair view of the state of the group’s and of the parent charitable company’s affairs as at 31 March 2018 and of the group’s and parent charitable company’s net movement in funds, including the income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- 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 group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Trustees for the financial statements

As explained more fully in the Trustees’ responsibilities statement set out on page 7 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 group’s and the parent charitable company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intend to liquidate the group or the parent charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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.

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

Conclusions relating to going concern

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

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

Other information

The Trustees are responsible for the other information. The other information comprises the information included in the Trustees' 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.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Trustees' Report (which incorporates the strategic report and the directors' report) for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- the Trustees' Report (which incorporates the strategic report and the directors' report) has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Trustees' Report (which incorporates the strategic report and the directors' 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 by the parent charitable company; or
- the parent charitable company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

Murtaza Jessa (Senior Statutory Auditor)
For and on behalf of haysmacintyre, Statutory Auditors

10 Queen Street Place
London
EC4R 1AG

Overseas Development Institute

Consolidated Statement of Financial Activities (including income and expenditure account)

for the year ended 31 March 2018

	Notes	Unrestricted funds £'000	Restricted funds £'000	**Total funds 2018 £'000**	Total funds 2017 £'000
Income from					
Charitable activities:					
Research and Fellowship scheme	3	637	32,485	**33,122**	38,014
Investments		55	-	**55**	54
Other trading activities	4	2,118	-	**2,118**	3,191
Other income		51	-	**51**	61
Total income		2,861	32,485	**35,346**	41,320
Expenditure on					
Charitable activities:					
Research and Fellowship scheme	5	3,814	33,483	**37,297**	37,147
Other trading activities	8	1,433	-	**1,433**	1,992
Total expenditure before pension deficit revaluation		5,247	33,483	38,730	39,139
Movement in provisions	18	(173)	-	(173)	(173)
Total expenditure		5,074	33,483	38,557	38,966
Net income before transfers and investment gains / losses		(2,213)	(998)	**(3,211)**	2,354
Net realised and unrealised gains (losses) on revaluation and disposal of investments	14	50	-	50	249
Net income		(2,163)	(998)	(3,161)	2,603
Total funds brought forward at 1 April 2017		5,396	8,520	**13,916**	11,313
Total funds carried forward at 31 March 2018		3,233	7,522	10,755	13,916

All of the results in the consolidated statement of financial activities are derived from continuing activities. The Statement of Financial Activities includes all gains or losses recognised during the year. The notes on pages 26 onwards form part of these financial statements.

Overseas Development Institute **Company number: 661818**

Balance sheet

at 31 March 2018

	Notes	**Charity 2018 £'000**	**Group 2018 £'000**	Charity 2017 £'000	Group 2017 £'000
Fixed assets					
Tangible assets	13	**722**	**722**	779	779
Investments	14	**2,245**	**2,245**	2,164	2,164
		2,967	**2,967**	2,943	2,943
Current assets					
Debtors	15	**9,087**	**8,222**	11,881	10,535
Short-term deposits		**615**	**615**	1,151	1,151
Cash at bank and in hand		**4,582**	**5,784**	4,940	6,731
		14,284	**14,621**	17,972	18,417
Creditors					
amounts falling due within one year	16	**(4,744)**	**(5,081)**	(5,081)	(5,526)
Net current assets		**9,540**	**9,540**	12,891	12,891
Amounts falling due in more than one year					
Pension liability	18	**(1,752)**	**(1,752)**	(1,918)	(1,918)
Total net assets		**10,755**	**10,755**	13,916	13,916
Represented by:					
Unrestricted funds					
Designated funds	19	**972**	**972**	1,029	1,029
General funds		**2,261**	**2,261**	4,367	4,367
		3,233	**3,233**	5,396	5,396
Restricted funds	20	**7,522**	**7,522**	8,520	8,520
		10,755	**10,755**	13,916	13,916

A separate statement of financial activities is not prepared by the Charity itself, following the exemption afforded by section 468 of the Companies Act 2006. In the year under review the Charity made an unrestricted loss of £2,163k (*2017: surplus of £1,404k*).

The notes on page 26 onwards form part of these financial statements.
Approved by the Board of Trustees on 16th July 2018 and signed on their behalf by:

James Cameron, Chairman

16th July 2018

Overseas Development Institute
Consolidated cash flow statement
for the year ended 31 March 2018

	Notes	2018 £'000	2017 £'000
Cash flows from operating activities	A	**(1,367)**	1,170
Cash flows from financing activities			
Interest received		**8**	5
Cash flows from investment activities			
Purchase of property, plant and equipment		**(70)**	(29)
Purchase of investments		**(54)**	(48)
Management of liquid resources			
Short-term deposits		**536**	1,527
Increase / (decrease) in cash	B	**(947)**	2,624

Notes to consolidated cash flow statement

A. Adjustment of net incoming resources before transfers and net investment gains to net cash inflow from operating activities	**2018 £'000**	2017 £'000
Net cash provided by operating activities	**(3,211)**	2,354
Depreciation	**127**	237
Interest receivable	**(5)**	(5)
Investment management fees	**20**	53
Increase (decrease) in debtors	**2,313**	(617)
Increase / (decrease) in creditors	**(611)**	(819)
Net cash flow from operating activities	**(1,367)**	1,202

B. Analysis of changes in net funds	At 1 Apr 2017 £'000	Cash flows £'000	**At 31 Mar 2018 £'000**
Short-term deposits	1,151	(536)	**615**
Cash at bank and in hand	6,731	(947)	**5,784**
	7,882	(1,483)	**6,399**

1 Principal accounting policies

The principal accounting policies adopted, judgements and key sources or uncertainty in the preparation of financial statements are as follows:

a) 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 (FRS102) (effective 1 January 2015) - (Charities SORP (FRS102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS102) and the Companies Act 2006.

The Charity meets the definition of a public benefit entity under FRS102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated below.

b) Preparation on a going concern basis
The trustees consider there are no material uncertainties about the Charity's ability to continue as a going concern. The review of the financial position, reserve levels and future plans give the trustees confidence that the charity remains a going concern.

c) Group financial statements
These financial statements consolidate the results of the Charity and its wholly owned subsidiary, ODI Sales Limited, on a line by line basis. A separate statement of financial activities is not prepared by the Charity itself following the exemption afforded by section 408 of the Companies Act 2006. In the year under review, the charity made a surplus of £3,844,550 (2015: £1,798,840).

d) Income recognition

Income is recognised once the charity has entitlement to the funds, when receipt is probable and when the amount receivable can be measured reliably.

Income received receivable under contract for services is recognised to the extent that the relevant work has been performed. Income received in advance of work performed is deferred and income that has been earned but not invoiced is accrued.

Restricted grants are recognised in full in the statement of financial activities in the year in which the Charity becomes entitled to the income. Any surplus remaining at year-end is carried forward as a restricted fund, in-line with the terms of the donor. Where a restricted grant requires that conditions are met before entitlement to the income passes, the funds are treated as a Performance Related Grant. In such instances income is recognised to the extent that ODI has entitlement.

e) Investment income

Investment and other income is recognised on a receivable basis once the amounts can be reliably measured. This is normally upon the receipt of confirmation from the Bank or investment broker.

f) Expenditure
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 into the following:

- Wherever possible, costs are directly attributed to specific activities. Certain shared support costs which cannot be directly attributed are apportioned to charitable activities on the basis of staff employed in those activities.

g) Tangible fixed assets & depreciation
All assets with a cost of more than £3,000 and with an expected useful life exceeding one year are capitalised.

1 Principal accounting policies (continued)

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 life of the lease
- Furniture, fixtures and fittings - 20% on cost
- Equipment - 33.33% on cost
- Computer software - 33.33% on cost

h) Investments
Investments in the form of listed investments are initially shown in the financial statements at market value. Movement in the market value of such investments are shown as unrealised gains or losses in the Statement of Financial Activities.

Profits and losses on the realisation of investments are shown as realised gains and losses in the Statement of Financial Activities.

The investment in the subsidiary undertaking, ODI Sales Limited, is stated at cost.

i) Debtors
Trade and other debtors are recognised at the settlement value due, net of any discounts offered or impairment provision.

j) Cash and short term deposits

Cash and short-term deposits includes short-term, highly liquid assets. The Charity operates a corporate sweep where any excess cash on the sterling account at the end of each working day is transferred to a money market account (or deficiency in cash is transferred from a money market account). The balance on the money market account is classified as a short term deposit.

k) 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 can be measured or estimated reliably. Creditors and provisions are normally recognised at their settlement amount.

l) Accrued & deferred income

Income is recognised on the basis of entitlement, the probability of receipt and the reliability of estimation. Where income is received but the requirements for recognition are not met, it is deferred. Where work has been undertaken creating the ability to recognise income that has yet to be invoiced, that income is accrued on the basis of entitlement, probability of receipt and the reliability of estimation.

m) Fund accounting

Funds held by the charity are classified as one of:

Designated funds : These are unrestricted funds, which have been designated for specific purposes by the Trustees.
Unrestricted funds: Funds that can be used in accordance with the charitable objectives of the Charity.

Restricted funds : Funds that can only be used for a particular restricted purpose. Such restrictions arise when specified by the funder or when funds are raised for a specific purpose.

n) 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 prevailing at the date of the transaction. Exchange differences are taken into account in arriving at the net movement in funds.

1 Principal accounting policies (continued)

o) 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.

p) Staff holiday accrual
A provision is maintained to cover the liability arising from holiday that staff accrue but have not taken at the year-end. This provision is calculated based on the value of the days carried forward, to the extent that it is approved within the Charity's staff policies.

q) Pension costs
The Institute participates in two pension schemes: the Universities Superannuation Scheme ("USS") and the Superannuation Arrangements of the University of London ("SAUL"). Each of these are multi-employer defined benefit schemes.

Contributions to the schemes are calculated based upon rates set by the scheme administrators. Contributions due to the schemes are accounted for in the period to which the liability arose.

The USS scheme is in deficit and the scheme has notified the Charity of the plans to reduce this deficit. For USS this deficit reduction period lasts for an estimated 14 years, from 2016. Payments towards these deficit is are included within the annual contributions payable by the Charity. Under FRS 102 the Charity is required to recognise the present value of its future contributions towards this deficit reduction plan.

USS is a defined benefit scheme which is contracted out of the State Second Pension ("S2P"). The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the scheme's assets are not hypothecated to individual institutions and a scheme wide contribution rate is set. The Institute 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 basis and therefore, accounts for the scheme as if it were a defined contribution scheme in accordance with paragraphs 28.11 of FRS102. 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 Institute is a Participating Employer of SAUL. The actuarial valuation applies to SAUL as a whole and does not identify surpluses or deficits applicable to employers. As a whole, the market value of SAUL's assets was £3,205 million representing 102% of the liabilities for benefits accrued up to 31 March 2017. It is not possible to identify an individual employer's share of the underlying assets and liabilities of SAUL. The Institute accounts for it participation in SAUL as if it were a defined contribution scheme and pension costs are based on the amounts actually paid (i.e. cash amounts) in accordance with paragraphs 28.11 of FRS 102. As there was a Technical Provision surplus at the last valuation, there is no defined benefit liability to be recognised by the Institute.

r) Redundancy and termination payments
Payments for redundancy and termination are made in compliance with statutory requirements. In exceptional circumstances, payments may be made in addition to the minimum statutory obligation. Any such payments would require approval from the Senior Management Team.

2 Significant Judgements and Estimates

Preparation of the financial statements requires management to make significant judgements and estimates. Judgements and estimates have been made for the following items:

a) Pension scheme deficit
As disclosed in note 19, the organisation is required to recognised a liability relating to the deficits of the two pension schemes.

SAUL: The liability is based on a repayment of 3% of salaries over the two years ending 31 March 2018, as recommended by SAUL.

USS: The liability is based on a repayment of 2.1% of salaries over the next fifteen years ending 31 March 2031 as recommended by USS.

The Institute has made certain assumptions around future salary increases, discount rates and staff changes based on information available at the time of preparation of the financial statements. The Institute will review the factors supporting these judgements and will amend the estimates in future accounting periods as and when deemed necessary.

b) Bad debt provision

Trade debtors included in the balance sheet are based on actual amounts less a provision for bad debts.

The provision is calculated based on providing for specific debts that, at the date the accounts were signed were deemed not be recoverable, and then a percentage of the balance as a general provision, which the management team deem to be a reasonable estimate of the amount that may or may not have to be written off in future periods. The Institute will review the factors supporting these estimates and will amend the estimates in future accounting periods as and when deemed necessary.

3 Income from research activities and the Fellowship scheme

Income for the year is broken down as follows:

	2018	2017
	£'000	£'000
Research grants & project finance	**30,700**	33,154
Fellowship scheme	**4,430**	4,526
Group research grants and project finance receivable	**35,130**	37,680
ODI Sales Limited research grants and project finance	**(2,008)**	(2,875)
Charity research grants and project finance receivable	**33,122**	34,805

Overseas Development Institute
Notes to the financial statements
For the year ended 31 March 2018

3 Income from research activities and the Fellowship scheme (continued)

Notable research grants during the year included:

		2018 £
Australian Department of Foreign Affairs and Trade	HPG's Integrated Programme Support	188,696
Swiss Federal Department of Foreign Affairs	HPG's Integrated Programme Support	280,000
The Ministry of Foreign Affairs Denmark	HPG's Integrated Programme Support	73,974
British Red Cross	HPG's Integrated Programme Support	5,000
Irish Aid	HPG's Integrated Programme Support	132,117
IKEA Foundation	HPG's Integrated Programme Support	220,604
World Vision International	HPG's Integrated Programme Support	7,726
United States Office of Foreign Disaster Assistance	HPG's Integrated Programme Support	312,422
The Dutch Ministry of Foreign Affairs	HPG's Integrated Programme Support	100,000
The Dutch Ministry of Foreign Affairs	Tracking local resources for better response to humanitarian crises	118,549
Swedish International Development Cooperation Agency	HPG's Integrated Programme Support 2016-17	187,642
NRC	BRCiS	1,829
DFID	Independent review of the DFID and ECHO joint cash response re-framing initiative in Lebanon	11,626
Royal Danish Embassy	Shadow States: Islamist Insurgencies	59,177
Swedish International Development Cooperation Agency	Integrated Regional Information Networks 2016-2017	78,120
Swedish International Development Cooperation Agency	Integrated Regional Information Networks 2017-2018	93,821
FIA Foundation	Sustainable Urban Transport	155,008
Swiss Federal Department of Foreign Affairs (FDFA)	2nd Phase of Supporting SDC's Justice Sector Engagement	48,789
Swiss Agency for Development	Migration Research	482,000
Paul Hamlyn Foundation	Product of visual materials accompanying research to illustrate factors of Migration	100,000
DFID	AG - Innovation and Adaptation	239,200
DFID	PRINDEX - Securing Citizens' Property Rights around the World	288,858
Omidyar Network	PRINDEX - Securing Citizens' Property Rights around the World	746,731
International Development Research Centre (IDRC)	Analysis of the Canadian International Food Security Research Fund (CIFSRF)	57,352

Overseas Development Institute
Notes to the financial statements
For the year ended 31 March 2018

3 Income from research activities and the Fellowship scheme (continued)

Institute of Development Studies	Agricultural Policy Research in Africa	4,822
DFID	Quantifying Tenure Risk - The Business Case for Tenure Diligence	25,892
MFA Netherlands	Active Learning Network for Accountability & Performance	50,000
SIDA	Active Learning Network for Accountability & Performance	227,529
German Foreign Ministry	Active Learning Network for Accountability & Performance	176,484
DFAT	Active Learning Network for Accountability & Performance	130,228
IRISH AID	Active Learning Network for Accountability & Performance	87,955
Swiss Agency for Development	Active Learning Network for Accountability & Performance	25,000
OCHA	Active Learning Network for Accountability & Performance	8,153
USAID	Active Learning Network for Accountability & Performance	699,471
UNICEF	Active Learning Network for Accountability & Performance	7,087
UNHCR	Active Learning Network for Accountability & Performance	10,917
World Food Programme	Active Learning Network for Accountability & Performance	9,949
New Zealand Aid Programme	Active Learning Network for Accountability & Performance	2,640
DANIDA	Active Learning Network for Accountability & Performance	30,227
DFID	Fellowship Scheme 2015-2020	3,389,527
DFAT and Government of Vanuatu	ODI Fellowship Vanuatu	108,352
Government of Timor Leste	ODI Fellows in Ministry of Finance Timor Leste	145,626
Internal Revenue Commission	ODI to IRC	8,800
Bank of Papua New Guinea	ODI Fellow to Bank of PNG	8,778
FAO	FAO Fiji Ministry of Agriculture	7,555
Foreign Affairs T&D Canada	Pathways to Gender Equality and Poverty Reduction for Women and Girls: The Role of Social Norms	42,366
Swedish International Development Cooperation Agency (Embassy of Sweden in Monrovia, Liberia)	Budget Strengthening Initiative (BSI)	363,786
Swedish International Development Cooperation Agency	Budget Strengthening Initiative (BSI)	187,642
HIVOS East Africa	Technology Development for Budget Transparency in Uganda	87,996
DFID	Supporting Economic Transformation	1,277,850
DFID	Economic Dialogue on Inclusive Growth – Bangladesh	74,930
DFID	Support for AU and UNECA research on trade policy in Africa	138,736
DFID South Sudan	Strengthening Public Financial Management (PFM) in South Sudan: Budget Strengthening Initiative (BSI)	865,080
European Union Delegation to the Republic of South Sudan	Strengthening Public Financial Management (PFM) in South Sudan: Budget Strengthening Initiative (BSI)	351,448
DFID Uganda	Supporting Reforms to the Financing of Local Service Delivery in Uganda	1,095,121

3 Income from research activities and the Fellowship scheme (continued)

DAI/DFID	Independent Evaluation of the Grand Bargain	15,955
Bill & Melinda Gates Foundation	Social norms and adolescent girls: evidence and tools	
Swiss Federal Department of Foreign Affairs	Supporting SDC's justice sector engagement	48,789
DFID	Support for AU and UNECA research on trade policy in Africa	138,736
DFID	Supporting Economic Transformation	1,277,850

4 Income from trading subsidiary

The Charity has a wholly owned subsidiary, ODI Sales Limited, which is incorporated in the UK. It engages in activity that furthers the mission and objects of the Charity. A summary of the full trading result of the company is shown in note 8 to the accounts but a breakdown of the research income of ODI Sales Limited is provided below:

Income from Trading Subsidiary	**2018 £'000**	2017 £'000
Research grants and project finance	**2,008**	3,119
Publications and other income	**110**	72
Total Income from Trading Subsidiary	**2,118**	3,191

5 Expenditure

a) Research and dissemination	**2018 £'000**	2017 £'000
Direct project costs		
Staff costs (note 9)	**10,138**	10,686
Temporary staff	**193**	210
Research fees payable to consultants and related costs	**8,419**	9,075
Knowledge exchange and dissemination	**6,346**	5,450
Travel	**2,299**	2,854
Other costs	**543**	673
	27,938	28,948
Support costs (note 7)	**6,967**	6,318
Group research and fellowship costs	**34,905**	35,266
ODI Sales Limited research costs	**(1,427)**	(1,987)
Charity research and dissemination of information costs	**33,478**	33,279

b) Fellowship activities and services	**2018 £'000**	2017 £'000
Supplementation award costs	**2,792**	2,756
Staff costs	**224**	236
Support costs allocation (note 7)	**142**	128
Other costs	**661**	748
	3,819	3,868
Total charitable expenditure	**37,297**	37,147

6 Governance costs

	2018 £'000	2017 £'000
Auditor's remuneration	**29**	16
Legal fees	**22**	22
Other costs	**14**	1
	65	39

7 Support costs

	2018 £'000	2017 £'000
Staff costs (note 10)	**3,038**	2,985
Staff overheads	**907**	755
Premises	**1,302**	1,104
Depreciation	**127**	237
Governance	**65**	39
Other costs	**1,670**	1,326
	7,109	6,446

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

Support costs allocation	2018 £'000	2017 £'000
Research and dissemination of information	**6,967**	6,318
Fellowship activities and services	**142**	128
	7,109	6,446

8 ODI Sales Limited

The Overseas Development Institute owns the entire called up share capital of ODI Sales Limited, a trading company registered in England and Wales, Company Registration Number 7157505, incorporated on 15 February 2010. A summary of the trading results of ODI Sales Limited for the year ended 31 March 2017 are given below. All taxable profits each year are distributed to the Charity.

ODI Sales Limited	2018 £'000	2017 £'000
Income	**2,118**	3,191
Cost of sales	**(1,427)**	(1,987)
Gross profit	**691**	1,204
Administrative expenses	**(6)**	(5)
Operating profit	**685**	1,199
Other interest receivable and similar income	**-**	-
Profit on ordinary activities before tax	**685**	1,199
Taxation	**-**	-
Profit after tax	**685**	1,199
Gift Aid donation to parent undertaking	**(685)**	(1,199)
Surplus / Deficit for the financial year	**-**	-

At 31 March 2017, the total capital and reserves of the company was £10 (2015: £10).

Overseas Development Institute
Notes to the financial statements
For the year ended 31 March 2018

9 Staff costs and Trustees' remuneration

a) Staff costs during the year were as follows:	**2018** **£'000**	2017 £'000
Wages and salaries	**10,705**	11,091
Termination payments	**2**	2
Social security costs	**1,180**	1,236
Pension costs	**1,513**	1,578
	13,400	13,907
Temporary and other staff costs	**473**	498
	13,873	14,405

Pension costs include a contribution offset in respect of the pension deficit of £165,840 (2017: £173,676) as outlined in note 21. The total amount paid to the pension providers was £1,512,559 (2017: £1,578,097).

b) Staff cost (excl. temporary staff) by function was as follows:	**£'000**	£'000
Research and dissemination	**10,362**	10,922
Support	**3,038**	2,985
	13,400	13,907

Employee benefits to senior management personnel for the year (including payments to the pension schemes) totalled £839,276 (2016:£828,001).

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:

	2018	2017
£60,001 - £70,000	**14**	16
£70,001 - £80,000	**10**	9
£80,001 - £90,000	**5**	5
£90,001 - £100,000	**6**	6
£110,001 - £120,000	**-**	1
£140,001 - £150,000	**1**	-

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

	2018	2017
Research and Fellowship scheme	**221**	259
Support	**79**	65
	300	324

9 Staff costs and Trustees' remuneration (continued)

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

	2018	2017
Research and Fellowship scheme	**199**	210
Support	**50**	50
	249	260

During the year ended 31 March 2018 no expenses were reimbursed to Trustees (2017: £318 to 2 Trustees) for attending Board and Sub-Committee meetings.

No other Trustees were paid for any project or research work in the year ended 31 March 2018.

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 ODI.

10 Net movement in funds

This is stated after charging:	**2018** **£'000**	2017 £'000
Auditor's remuneration		
- Current year audit services – ODI	14	14
- Current year audit services – ODI Sales Limited	5	5
- Other audit and accounting services	50	46
	69	65
Depreciation	127	237
Operating lease rentals		
- Premises	890	729
- Equipment	11	11

11 Taxation

The charity is a registered charity and therefore it 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.

The subsidiary, ODI Sales Limited, distributes its taxable profits, if any, to ODI each year.

12 Tangible fixed assets

Group and Charity	Leasehold improvements £'000	Computers £'000	Furniture and Fittings £'000	**Total £'000**
Cost				
At 1 April 2017	1,177	668	627	**2,472**
Additions	39	19	12	**70**
Disposals	-	-	-	**-**
At 31 March 2018	1,216	687	639	**2,542**
Depreciation				
At 1 April 2017	428	664	601	**1,693**
Charge for year	97	10	21	**127**
Disposals	-	-	-	**-**
At 31 March 2018	525	674	622	**1,820**
Net book values				
At 31 March 2018	691	13	17	**722**
At 31 March 2017	749	4	(182)	779

13 Investments

Group	**Total £'000**
Listed investments	
Market value at 1 April 2017	**2,164**
Cost of new investments	**54**
Investment management fees paid from the portfolio	**(23)**
Unrealised gain on investments	**50**
Market value at 31 March 2018	**2,245**
Historical cost of listed investments at 31 March 2017	**1,865**

Charity	Shares in subsidiary company £'000	Listed investments £'000	**Total £'000**
Market value at 1 April 2017	-	2,164	**2,164**
Cost of new investments	-	54	**54**
Investment management fees paid from the portfolio		(23)	**(23)**
Unrealised gain on investments	-	50	**50**
Market value at 31 March 2018	-	2,245	**2,245**
Historical cost of investments at 31 March 2018	-	1,865	**1,865**

The listed investments are held with a fund manager, who has authority to buy and sell shares and bonds subject to the restrictions as noted in the organisation's investment policy. The market value of the portfolio held by the investment manager on behalf of the organisation was £2,244,957 and other than a cash balance of £217,596, there was no one holding greater than 5% of the value of the portfolio.

13 Investments (continued)

At 31 March 2018 the Charity owned 10 £1 shares, being the entire called up share capital, of ODI Sales Limited, which is incorporated in the UK. It engages in activity that furthers the mission and objects of the Charity.. A summary of the financial results of the company is shown in note 8.

14 Debtors

	Charity 2018 £'000	**Group 2018 £'000**	Charity 2017 £'000	Group 2017 £'000
Grants receivable and accrued income	**6,455**	**7,637**	7,844	9,789
Other debtors	**119**	**119**	290	290
Prepayments	**466**	**466**	454	456
Amount due from subsidiary	**2,047**	**-**	3,287	-
	9,087	**8,222**	11,875	10,535

Included in other debtors is £102,667 (2017: £277,549) relating to monies forming a bank guarantee. These funds are being held by the bank on behalf of ODI in order to secure grant funding with the EU.

15 Creditors

	Charity 2018 £'000	**Group 2018 £'000**	Charity 2017 £'000	Group 2017 £'000
Grants received in advance	**62**	**155**	596	729
Expense creditors	**1,768**	**1,843**	2,014	2,073
Social security and other taxes	**301**	**442**	313	513
Accruals and deferred income	**2,613**	**2,641**	2,157	2,211
	4,744	**5,081**	5,080	5,526

16 Deferred income

Deferred income arises when the organisation receives funds which do not meet the conditions required for them to be recognised as income. Where such funds are received they are recognised as cash with a corresponding liability within creditors. As the recognition criteria is met the funds are released to income.

	Charity 2018 £'000	**Group 2018 £'000**	Charity 2017 £'000	Group 2017 £'000
Deferred income as at 1 April 2017	596	729	1,806	1,846
Released during the year	(596)	(729)	(1,806)	(1,846)
Income deferred in the year	62	155	596	729
Deferred income as at 31 March 2018	**62**	**155**	596	729

17 Provisions and liabilities

As a result of adopting FRS 102, the organisation is required to recognise a liability relating to the deficits within the USS pension scheme of which it is a member. The value of the provision is calculated based upon the present value of the organisation's future contributions towards the deficit recovery plans: These contributions are set by the scheme administrators and are included within the annual contributions payable, as follows:

USS: The deficit recovery plan, based on the latest actuarial valuation, is to run until 2031. Of the employer contribution of 18%, 2.1% goes towards reducing the deficit. The liability is calculated based on salary growth of 2% a year and a discount rate of 4%

	Charity 2018 £'000	Charity 2017 £'000
Opening pension provision at 1 April 2017	1,918	2,091
Provision utilised during the year and unwinding of discount factor	(173)	(240)
Increase / (release) of provision	-	1,432
Pension provision as at 31 March 2018	**1,745**	**3,283**

18 Funds

	At 1 April 2017	Income	Expenditure	Unrealised gains and losses	Transfers	**At 31 March 2018**
	£'000	£'000	£'000	£'000	£'000	**£'000**
Unrestricted funds						
Designated						
Tangible fixed assets fund	779	-	-	-	(57)	**722**
Systems development fund	250					**250**
General funds						
Income and expenditure account	4,367	2,861	(5,074)	50	57	**2,261**
Total unrestricted funds	5,396	2,861	(5,074)	50	-	3,233
Restricted funds						
ALNAP Multi-funder	377	1,572	(1,621)		-	**328**
Increasing Resilience to Natural Hazards	128	-	(49)		-	**79**
Understanding and Supporting Sustained Pathways Out of Extreme Poverty and Deprivation	239	46	(285)		-	**-**
Fellowship Scheme (Bill and Melinda Gates Foundation)	353	-	(182)		-	**171**
Fellowship Scheme 2015-2020 Core Funding	26	4,071	(3,431)		-	**666**
Low Emission Development Strategies	112	549	(600)		-	**61**
Resilience Scan Part 3	148	18	(164)		-	**2**
Promoting Safer Building	85	60	(145)		-	**-**
SIDS Project	98	53	(151)		-	**-**
Social Norms and Adolescent Girls: Evidence and Tools Platform	1,181	-	(338)		-	**843**
Aid, Security and Britain's Role in the World	79	-	(79)		-	**-**
ODI Fellows - Timor Leste	209	146	(244)		-	**111**
Budget Strengthening Initiative (BSI)	139	3,816	(3,264)		-	**691**
Gender and Adolescence Global Evidence	1,068	3,279	(3,073)		-	**1,274**
Agricultural Policy Research in Africa	42	5	(20)		-	**27**
BMG Delivering Effective Development Against Multidimensional Poverty	2,189	-	(1,391)		-	**798**
AFD Strategic and Financial Partnership Agreement	81	-	(81)		-	**-**

18 Funds (continued)

HPG Integrated Programme	261	1,458	(1,694)		-	**25**
Supporting the Global Commission	193	(40)	(153)		-	**-**
Building Resilience and Adapting to Climate Extremes and Disasters Programme (BRACED)	888	2,414	(3,164)		-	**138**
Migration Programme	47	582	(335)		-	**294**
Tracking Local Resources for a Better Response to Humanitarian Crises	-	219	(90)		-	**129**
ODI-DFAT Institutional Partnership	-	348	(135)		-	**213**
DEGRP Phase 2	-	199	(121)	-	-	**78**
Safer Self-recovery: Promoting Resilient Urban Reconstruction After Disasters	-	138	(19)	-	-	**119**
PRINDEX	-	1,036	(871)			**165**
Africa Regional Dialogue on Livestock for Transformation	-	102	(24)	-	-	**78**
EOY Learning Partnership	-	1,532	(713)	-	-	**819**
Other research projects	578	10,882	(11,048)	-	-	**412**
Total restricted funds	8,520	32,485	(33,483)	-	-	7,522
Total funds	**13,916**	**35,345**	**(38,557)**	**50**	**-**	**10,755**

Analysis of net assets between funds	Unrestricted funds £ 000	Designated funds £ 000	Restricted funds £ 000	**Total Funds £ 000**
Tangible fixed assets	-	722	-	**722**
Net current assets	2,261	250	7,522	**10,033**
Total net assets	2,261	972	7,522	**10,755**

Designated Funds
Designated funds represent monies that have been set aside by the Trustees for specific purposes.

i) Tangible fixed assets fund
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.

ii) Systems Implementation Fund
A fund covering the cost of our expected investment in a new financial and project management system. Costs are expected to be incurred during 2018-19.

18 Funds (continued)

Restricted Funds

Restricted funds are to be used for specified purposes laid down by the donor. Expenditure for those purposes is charged to the relevant fund.

Agricultural Policy Research in Africa
Restricted grants received from a variety of donors to fund research into African agricultural policy.

Active Learning Network for Accountability and Performance (in Humanitarian Action) (multifunder)
This fund represents restricted grants from a range of funders to support ODI's ALNAP Programme.

Delivering Effective Development Against Multidimensional Poverty
A four year piece of work funded by the Bill and Melinda Gates Foundation, exploring the role of development In the context of multidimensional poverty. Funding received in advance to fund the initial phase of work, to be completed predominantly during 2017/18.

AFD Strategic and financial partnership agreement
Funding provided by AFD to support a collaborative programme of research and engagement.

Resilience Scan Part 3
Funding from the Rockefeller Foundation, supporting the third phase of our ongoing resilience scanning work.

Low Emission Development Strategies (LEDS) Partnership Support
Support received from the US Department of State, towards our Low Emission Development Strategies (LEDS) programme.

SIDS Project
Restricted funding supporting work on improving understanding of the impact of migration in development.

Promoting Safer Building
Promoting Safer Building - Using science, technology, communication and humanitarian practice to support family and community self-recovery. Funding provided by NERC.

Understanding and supporting sustained pathways out of extreme poverty and deprivation
ESRC funded programme exploring pathways out of extreme poverty.

Fellowship Core Funding
This fund represents a restricted grant from DFID to fund ODI's Fellowship Programme

Fellowship (Bill and Melinda Gates Foundation)
This fund represents a restricted grant from the Bill and Melinda Gates Foundation to support ODI's Fellowship Programme.

Research and Policy Engagement (Bill & Melinda Gates Foundation)
This fund represents a restricted grant from the Bill and Melinda Gates Foundation to support ODI's CAPE Programme in Research and Policy Engagement

ODI Fellows - Timor Leste
Funding supporting the placement of ODI Fellows in Timor Leste.

Humanitarian Policy Group - Integrated Programme (multifunder)
This fund represents restricted grants from a range of funders to support ODI's HPG Integrated Programme.

Aid, Security and Britain's Role in the World
Restricted funding provided by the Bill and Melinda Gates Foundation.

EOY Learning Partnership
Economic Opportunities for Youth (EOY) aims to improve the capacity of young people to access and maximise the opportunities available to them.

Increasing Resilience to Natural Hazards
Funding provided by NERC, aiming to explore methods of increasing resilience to natural hazards.

Gender and Adolescence: Global Evidence
This fund represents a restricted grant from DFID to fund a multi year project to support ODI's Gender and Adolescence Global Evidence Research Programme.

Social norms and adolescent girls: evidence and tools platform
Multi-year funding provided by the Bill and Melinda Gates Foundation, exploring social norms and adolescent girls.

Budget Strengthening Initiative
This fund represents contributions from a variety of donors towards ODI's BSI Programme which is part of the Centre for Public Expenditure Programme.

18 Funds (continued)

Building Resilience and Adapting to Climate Extremes and Disasters (BRACED)
A restricted grant from DFID. BRACED is helping people become more resilient to climate extremes in South and Southeast Asia and in the African Sahel and its neighbouring countries.

Migration Programme
A combination of funding from the Joffee Charitable Trust, Paul Hamlyn Foundation and other donors to support work on understanding and responding to migration issues.

Tracking Local Resources for a Better Response to Humanitarian Crises
Work funded by MFA Netherlands aimed at influencing and informing global humanitarian policy and programming to take better account of diverse and non-traditional sources of aid

DFAT Institutional Partnership
Institutional partnership with DFAT spanning multiple workstreams.

DEGRP Phase 2
Second phase of the DFID-ESRC Growth Research Programme (DEGRP) which funds research on inclusive economic growth in low-income countries

Safer Self-recovery: Promoting Resilient Urban Reconstruction After Disasters
A collaboration with CARE International, University College London, the British Geological Survey and Loughborough University that aims to understand the factors that affect households' recovery and reconstruction decision making.

PRINDEX
The Global Property Rights Index is an initiative of ODI and Land Alliance supported by Omidyar Network, DFID and other donors. It aims to fill the gap in information about individual perception of tenure security by creating a baseline global dataset to support the achievement of secure property rights around the world.

Africa Regional Dialogue on Livestock for Transformation
Project funded by IDRC exploring ways to support the resilience of extensive livestock production systems in semi-arid areas south of the Sahara

Other research projects
All other restricted grants have been grouped together under one heading for the purposes of these accounts.

Full comparatives for the year to 31 March 2017 can be found in the 2017 financial statements which are public ally available on the Charity Commission and Companies House websites.

19 Lease commitments

At 31 March 2017 the Charity had total commitments under a non-cancellable operating leases as set out below:

Group and charity	2018 £'000	2017 £'000
Land and buildings		
Operating leases payments which are due:		
- after 5 years	**2,340**	2,704
- between 2 and 5 years	**4,160**	3,328
- within 1 year	**1,040**	832
Equipment		
Operating leases payments which are due:		
- after 5 years		
- between 2 and 5 years	**22**	33
- within 1 year	**11**	11

With regard to the lease for land and buildings, the actual payment by the Charity in the year to 31 March 2018 will differ from the charge to the statement of financial activities for the year shown above as a consequence of the lease containing a provision for an initial rent free period.

The lease for land and buildings contains provision for periodic rent reviews. Such a review is ongoing and is due to be finalised in July. The commitments contained in the note above are based on the values known at the balance sheet date.

20 Pensions

Retirement benefits for employees are provided by two independently administered schemes, which are funded by contributions from the employer 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 102 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 102 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)

ODI participates in the Universities Superannuation Scheme (the scheme). Throughout the current and preceding periods, the scheme was a defined benefit only pension scheme until 31 March 2016 which was contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the scheme's assets are not hypothecated 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 and therefore, as required by Section 28 of FRS 102 "Employee benefits", accounts 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. 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 and the resulting expense in the income and expenditure account.

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.

20 Pensions (continued)

A multi-employer scheme is a scheme for entities not under common control and represents (typically) an industry-wide scheme such as that provided by USS. 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 is recognised in profit or loss. The directors are satisfied that the scheme provided by USS meets the definition of a multi-employer scheme and has therefore recognised the discounted fair value of the contractual contributions under the funding plan in existence at the date of approving the financial statements.

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

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

The 2014 valuation was the third valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £41.6 billion and the value of the scheme's technical provisions was £46.9 billion indicating a shortfall of £5.3 billion. The assets therefore were sufficient to cover 89% of the benefits which had accrued to members after allowing for expected future increases in earnings.

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

	2016	**2015**
Discount rate	3.6%	3.3%
Pensionable salary growth	n/a	3.5% in the first year and then 4.5% thereafter
Pension increases (CPI)	2.2%	2.2%

The main demographic assumption used relates to the mortality assumptions. Mortality in retirement is assumed to be in line with the Continuous Mortality Investigation's (CMI) S1NA tables as follows:

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

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

	2016	**2015**
Males currently aged 65 (years)	24.3	24.2
Females currently aged 65 (years)	26.5	26.4
Males currently aged 45 (years)	26.4	26.3
Females currently aged 45 (years)	28.8	28.7

	2016	**2015**
Scheme assets	£49.8bn	£49.1bn
Total scheme liabilities	£58.3bn	£60.2bn
FRS 102 total scheme deficit	£8.5bn	£11.1bn
FRS 102 Total funding level	85%	82%

20 Pensions (continued)

Superannuation arrangements of the University of London (SAUL)

The Charity also participates in the Superannuation Arrangements of the University of London “(SAUL”), which is a centralised defined benefit scheme and is contracted-out of the Second State Pension (prior to April 2016). SAUL is an independently managed pension scheme for non-academic staff of over 50 colleges and institutions with links to higher education. Pension benefits accrued within SAUL currently build up on a CARE basis.

The Charity is not expected to be liable to SAUL for any other current participating employer's obligations under the rules of SAUL, but in the event an insolvency event of any participating employer within SAUL, an amount of any pension shortfall (which cannot otherwise be recovered) in respect of that employer, may be spread across the remaining participating employers and reflected in the next actuarial valuation.

SAUL's statutory funding objective is to have sufficient and appropriate assets to meet the costs incurred by the Trustee in paying SAUL's benefits as they fall due ("Technical Provisions"). The Trustee adopts the assumptions which, taken as a whole, are intended to be sufficiently prudent for pensions and benefits already in payment and continue to be paid and for commitments which arise from Members accrued pension rights to be met.

The Technical Provisions assumptions include appropriate margins to allow for the possibility of events turning out worse than expected. However, the funding method and assumptions do not completely remove the risk that the Technical Provisions could be insufficient to provide benefits in future.

A formal actuarial valuation of SAUL is carried out every three years by a professionally qualified and independent actuary. The last actuarial valuation was carried out with an effective date of 31 March 2017. Informal reviews of SAUL's position, reflecting changing in the market conditions, cash flow information and new accrual of benefits are being carried out between formal valuations.

The funding principles were agreed in June 2018 and are due to be reviewed at SAUL's next formal valuation in 2020.

As at the last valuation SAUL was fully funded on its technical Provisions basis so no deficit contributions were required. The scheme Trustee and the Employers have agreed that the ongoing Employers' contributions will continue at a rate of 16% of CARE Salaries.