

PENSIONS POLICY INSTITUTE

PPPI

ANNUAL REPORT AND FINANCIAL STATEMENTS

1 FEBRUARY 2006 to 31 JANUARY 2007

REGISTERED COMPANY NO: 04145584

CHARITY NO: 1087856

(ENGLAND & WALES)

PPI Annual Report and Statement of Financial Activity 2007

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Chairman's report

I am pleased to present to Governors the Sixth Annual Report of the Pensions Policy Institute. The Council report which follows gives a full account of the Institute's activities over the past year, so I will confine myself to mentioning a few highlights.

It was another busy year for UK pensions policy and for the PPI, with the publication of two Government White Papers on pensions and the appointment of a new Director of the Institute.

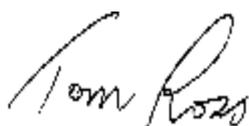
We said farewell to Alison O'Connell in July 2006. Alison was the PPI's first Director and I would like to take this further opportunity to express my sincere thanks to Alison for her tremendous contribution to the PPI. I am pleased that she maintains contact through being a Governor.

We welcomed Niki Cleal, the PPI's new Director. Niki is an economics graduate of Cambridge University with an MBA from INSEAD. She spent ten years in the Civil Service, most recently at HM Treasury. It is greatly to the credit of Niki and the whole team that the transition to new leadership has been so seamless and that the volume and quality of research output has been maintained throughout the year.

Council and the team held a successful strategy day. We concluded that, given the stage of the policy debate on pensions in the UK, the PPI's research activity should put rather more emphasis on research into private pensions than it has in the past. We also feel that it is extremely important to continue to invest in our modelling capability, which underpins much of our research output. It is important for the Institute to develop a range of revenue streams, and not to become overly reliant on a single source of funds. We are confident that our position as an independent, high quality, fact-based research organisation will enable us to meet that goal.

The PPI could not function without the support of many people and organisations – our Supporting Members, organisations which commission research or provide us with grants, and individuals who review papers, participate in our seminars and so on. To all of them, and to my fellow Council Members and the team led by Niki, I express my warm thanks.

Next year I will have served as Chairman of the PPI and Chair of the Pension Provision Group for 10 years and, as a result, I would like to advise Governors of my intention to retire as the PPI Chairman at the 2008 AGM. The governance committee will take forward the process of recruiting my successor. In the meantime, I look forward to another successful year for the Institute.



T M Ross OBE
Chairman

Council's report

The Council are pleased to present their annual report and the financial statements of the Pensions Policy Institute (the 'Institute') for the year ended 31 January 2007.

The Council confirm that the annual report and financial statements of the Institute comply with current statutory requirements, the requirements of the Institute's governing document and the provisions of the Statement of Recommended Practice (SORP) 'Accounting and Reporting by Charities' issued in 2005.

Reference and administrative details

Company registered number	04145584
Charity registered number	1087856
Principal operating office	Pensions Policy Institute King's College 4th Floor, Kay House 7 Arundel Street London WC2R 3DX
Registered office	21 Holborn Viaduct London EC1A 2DY
Company secretary	Nicola Cleal
Auditors	haysmacintyre (incorporating Trustient) Chartered Accountants Registered Auditors Fairfax House 15 Fulwood Place London WC1V 6AY
Bankers	Unity Trust Bank (current account) Nine Brindley Place 4 Oozells Square Birmingham B1 2HB Cater Allen Private Bank 9 Nelson Street Bradford BD1 5AN
Solicitors	Lovells Atlantic House Holborn Viaduct London EC1A 2FG

Council Members

Professor Janet Askham (appointed 2002, re-elected 2004)

Nicola Cleal (ex officio) (appointed July 2006)

Professor Ruth Hancock (appointed 2001, re-elected 2004)

Paul Johnson (appointed 2001, re-elected 2004)

Harriet Maunsell OBE (appointed 2005)

Alison O'Connell (ex officio) (appointed 2002, resigned 2006)

John Pearson (appointed 2002, re-elected 2004)

Michael Pomery (appointed 2006)

Stewart Ritchie OBE (appointed 2001, resigned 2006)

Rhoslyn Roberts (appointed 2002, re-elected 2005)

Tom Ross OBE (Chairman) (appointed 2001, re-elected 2005)

Joanne Segars (appointed 2001, re-elected 2004)

Teresa Sienkiewicz (appointed 2003, re-elected 2006)

Peter Thompson (appointed 2003, re-elected 2006)

David Yeandle (appointed 2001, re-elected 2006)

Andrew Young (appointed 2002, re-elected 2005)

Institute Director Nicola Cleal (appointed July 2006)
Alison O'Connell (resigned July 2006)

Secretary Nicola Cleal (appointed July 2006)
Alison O'Connell (resigned July 2006)

President Baroness Sally Greengross OBE
(appointed 15 June 2004)

Governors

Ros Altmann	Professor Ruth Hancock***	Michael Pomery
Professor Janet Askham***	Sarah Harper	Katherine Rake
Professor Sir Tony Atkinson	Sir Graham Hart	Brian Ridsdale
Professor Sir George Bain	Professor John Hills	Stewart Ritchie OBE
Brendan Barber	Tony Hobman	Rhoslyn Roberts***
Scott Bell CBE	Ann Hope	Sir Steve Robson
Professor Richard Berthoud	Nigel Inglis Jones QC	Michael Ross CBE
Rodney Bickerstaffe	Paul Johnson***	Tom Ross OBE**
Professor Philip Booth	John Kay	Alastair Ross Goobey CBE
Ronnie Bowie	Lord Kirkwood	Jane Samsworth
Dame Ann Bowtell	Michael Lake CBE	Richard Saunders
Professor Jonathan Bradshaw	Desmond Le Grys	Joanne Segars ***
Professor Gordon Clark	Chris Lewin	David Severn
Professor Sir Graeme Davies	Paul Lewis	Teresa Sienkiewicz***
Evan Davis	Gordon Lishman OBE	Brian Spence
Professor Richard Disney	Iain Lumsden	Richard Stroud
Kenneth Dixon CBE	Anne Maher	Peter Thompson***
Jeannie Drake	Bert Massie CBE	Paul Thornton
Laurie Edmans CBE	Harriet Maunsell OBE***	Nick Timmins
Professor John Ermisch	Professor Stephen McNair	Anthony Tomei
Professor Eileen Evason	Professor David Miles	Professor Robert Walker
Jane Falkingham	Professor Jane Millar OBE	Sue Ward
Christine Farnish	Peter Murray	Martin Weale CBE
Terry Faulkner	Alison O'Connell	Edward Weiss
Mary Francis CBE	Professor Sir Alan Peacock	David Yeandle***
Norman Glass CB	John Pearson***	Andrew Young***
Baroness Greengross OBE*	Chris Phillips (deceased 2007)	
Stephen Haddrill	Alan Pickering CBE	

* President

** Chairman of Council

*** Council Members

Structure, governance and management

Constitution and objects

The Institute was formed on 22 January 2001 and is registered as a charitable company limited by guarantee. It is governed by its Memorandum and Articles of Association ('constitution').

The principal object of the Institute is the advancement of education for the benefit of the public by the promotion, on a non-political basis, of the study of, and the dissemination of the useful results of the study of, pensions and other provision for retirement and old age, and the economic and social effects and influences of existing arrangements and possible changes to them.

There have been no changes in the objectives since the last annual report.

Council Members' liability

As a company limited by guarantee, the Institute has a maximum of 100 members ('Governors'). Governors have voting rights and their responsibilities are as stated in the Institute's constitution. As members, Governors guarantee to contribute an amount not exceeding £1 to the assets of the Institute in the event of winding up.

The Governors who served throughout the period and at the date of this report are set out on page 4.

The management of the Institute is the responsibility of the Council Members, who are elected from the body of Governors.

Council Members

Council Members are directors for the purposes of company law and trustees for the purposes of charity law. Council Members are responsible for the management of the Institute, and are elected and co-opted in accordance with the constitution.

In accordance with the constitution, the minimum number of Council Members in office at any given time must be seven. The Council shall have power to appoint any Governor to be a Member of the Council at any time up to the maximum fixed number, currently fifteen persons including the Director who is ex-officio. The Council Members who served throughout the period and at the date of this report are set out on page 3.

At the Annual General Meeting on 6 June 2007, one-third of the Members of the Council or the number nearest to one third shall retire from office. All retiring Members of the Council shall be eligible for re-election.

The Council Members retiring on 6 June 2007 are Janet Askham, Ruth Hancock, Paul Johnson, John Pearson and Joanne Segars. John Pearson will not be standing for re-election.

Organisational structure and decision making

The Council is responsible for the overall control of the Institute’s operations and meets regularly to review the performance of the Institute, and to authorise strategic decisions. Four Sub-Committees were active throughout the course of the year on specific areas of the Institute’s management:

Finance	Chair:	David Yeandle
	Members:	Teresa Sienkiewicz Rhoslyn Roberts
Funding	Chair:	John Pearson
	Members:	Michael Pomery Tom Ross Joanne Segars
Governance (formerly Nomination)	Chair:	Harriet Maunsell
	Members:	Janet Askham Michael Pomery Tom Ross Andrew Young
Remuneration	Chair:	Tom Ross
	Members:	Paul Johnson Peter Thompson

The Institute Director manages the Institute’s business on a day-to-day basis.

Council’s responsibilities

Company and charity law applicable to charities in England & Wales requires the Council to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Institute and of the surplus or deficit of the Institute for that period. In preparing those financial statements the Council have:

- Selected suitable accounting policies and applied them consistently;
- Made judgements and estimates that are reasonable and prudent;
- Stated whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepared the financial statements on a going concern basis (unless it is inappropriate to presume that the Institute will continue in operation).

The Council has overall responsibility for ensuring that the Institute has an appropriate system of controls, financial and otherwise. Council is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Institute and enable them to ensure that the financial statements comply with the Companies Act 1985.

Council is also responsible for safeguarding the assets of the Institute and hence for taking reasonable steps for the detection and prevention of fraud and other irregularities.

Statement as to disclosure of information to auditors

So far as the Council are aware, there is no relevant audit information (as defined by Section 234ZA of the Companies Act 1985) of which the Institute's auditors are unaware, and each member has taken all the steps that he or she ought to have taken as a member in order to make himself or herself aware of any relevant audit information and to establish that the Institute's auditors are aware of that information.

Objectives and activities

The PPI is an educational charity, which provides non-political, independent comment and analysis on pension policy in the UK.

The objectives of the PPI are to

- Provide relevant and accessible information on the extent and nature of retirement provision
- Contribute fact-based analysis and commentary to the policy-making process
- Extend and encourage pension research and debate among pensions experts
- Be a helpful sounding board for providers, policy makers and opinion formers
- Inform the public debate on pensions issues

The PPI is unique in the field of pensions because it

- Is independent, with no political bias or vested interest
- Is led by experts focused on pensions and retirement provision
- Considers the whole pensions framework: state, private, and the interaction between them
- Pursues both academically rigorous analysis and practical policy commentary
- Takes a long-term perspective on pensions policy outcomes
- Encourages dialogue and debate with multiple constituencies

Achievements and performance

The policy context

It was a busy year for UK pensions policy. In May the Government published its White Paper: *Security in retirement*¹ which set out the Government's proposals for state and private pension reform. In November the Government introduced draft legislation in the form of the Pensions Bill. A second White Paper published at the end of the year: *Personal Accounts: a new way to save*² set out the details of how the Government proposes to operate the new Personal Accounts scheme.

Research and information output

In 2006/7, the PPI published 12 research reports and 9 Briefing Notes on a wide range of topics relating to pensions and retirement provision. There were approximately 60,000 downloads of PPI reports and Briefing Notes in the year.

A major strand of activity in 2005 was the shaping a stable pensions solution project, run in partnership with the Nuffield Foundation. The project aimed to find a consensus pensions solution by debating the most critical pensions issues on the interaction of state and private pensions. In March 2006 the PPI published and launched the final report *How pension experts would reform UK pensions*. The publication marked the end of a successful project.

In February 2006 the PPI published an *Initial analysis of the Pensions Commission's Second Report*. This was followed by more detailed research and analysis of state pension reforms, which included:

- ***An evaluation of the White Paper state pension reform proposals:*** this report analysed the implications of the Government's proposed state pension reforms.
- ***Transition Trade-offs: Options for state pension reform:*** this report analysed in detail eight alternative state pension reform options that made different trade-offs to those made by the Pensions Commission, and evaluated them against the Government's five tests for state pension reform.

The following organisations commissioned the PPI to provide an independent assessment of their organisation's state pension reform proposals.

- The Equal Opportunities Commission (EOC) commissioned the PPI to provide an independent assessment of the potential costs and distributional implications of the EOC's proposals for state pension reform.
- The Trades Union Congress (TUC) commissioned the PPI to provide an assessment of the potential implications of keeping the eligibility age for Guarantee Credit at 65 as the State Pension Age increases from 2024.

¹ DWP (2006) *Security in retirement: towards a new pensions system*

² DWP (2006) *Personal Accounts: A new way to save*

The PPI produced research and analysis that drew on international experience that is relevant to the design of the Government's private pension reforms. *NPSS policy and design choices*, explored the lessons for the UK's proposed National Pensions Savings Scheme from the only other planned national auto-enrolment scheme: KiwiSaver in New Zealand.

The Resolution Foundation was also keen to learn from international experience. The Foundation commissioned the PPI to investigate how the New Zealand Retirement Commission encourages greater financial awareness and provides financial advice, and to comment on the especially relevant lessons for UK policy.

The interaction of the Government's proposed state and private pension reforms was a major theme in the PPI's research for 2006/7. The PPI analysed the interaction between the proposed Personal Accounts with state pensions, the tax systems and means-tested benefits in the PPI publication *Are Personal Accounts suitable for all?* This research highlighted the difficult decisions that some individuals will face in deciding whether to opt-out of Personal Accounts. The research highlighted that individuals will need clear information and generic advice to help them make the right decision.

The Runnymede Trust, Scottish Widows and the EOC commissioned the PPI to provide case studies illustrating the potential outcomes of the proposed White Paper reforms on women, those with caring responsibilities and the self-employed.

Throughout the year, the PPI published regular Briefing Notes on topical policy issues. The PPI has also maintained and updated its description of the pensions framework in the UK – *The Pensions Primer*. The Primer remains one of the most frequently downloaded publications from the PPI's website with almost 6,000 downloads during 2006/7.

Pensions Facts, a compendium of key facts and figures on demography, state pensions, private pensions and working at older ages has also been introduced and updated. It is a useful source of information and statistics for those with an interest in data on retirement and pension provision.

PPI encouraging debate

The PPI has continued to act as a focal point for debate and discussion on pension reform and retirement provision throughout 2006/7.

The PPI held six events over the course of the year that were attended by Ministers, politicians from all of the main political parties, Government officials and other policy makers in representative organisations, pensions and the wider financial services industry. In total more than 240 people attended PPI events. The Director and the Research Director also spoke at a wide range of external conferences and events on pensions and retirement issues.

PPI interaction with Government and policymakers

There have been continued regular meetings of the PPI team with senior politicians, officials, industry and representative organisations.

The PPI has met regularly with James Purnell MP (Minister for Pensions Reform), and the opposition spokespeople on pensions: Philip Hammond MP and David Laws MP. We also met regularly with officials at the Department for Work and Pensions (DWP) and HM Treasury to discuss research and economic modelling. The PPI responded to the Government's White Paper consultation and gave oral and written evidence to the Work and Pensions Select Committee's inquiries into the Government's reforms.

PPI governance

In 2005/6, Council went through an effectiveness review. This review was taken a step further during 2006/7 and a Council skills audit was conducted. Council concluded that it has broadly the right areas of skills and expertise.

Financial review

Reserves policy

The Council has established a reserves policy which ensures an adequate level of funds is maintained to allow the Institute to be managed efficiently and to provide a contingency reserve in the event of financial difficulty.

The Council believes that the minimum level of the PPI reserves should be equivalent of six months' operating costs. Six months will allow the PPI to honour its contractual liabilities (e.g. staff notice periods, some of which are 6 months). There are no long-term leases or contracts that need to be taken into consideration. Both the level of reserves and the policy are reviewed on an annual basis.

At the end of the last financial year, 31 January 2007, the free reserves were at £171,023 including the deferred income of £103,833 (2006: £201,858). This is sufficient for the charity to continue operating for a period of 6 months.

PPI financial position

The PPI's core research and information activities for 2006/7 were funded by regular donations made by Supporting Members, of whom there are currently 23. This membership income funds activities such as core research reports, Briefing Notes and speeches and presentations. The membership income is also essential for the ongoing viability of the Institute as it provides a regular stream of income. It is pleasing to report that the PPI gained five new silver members during 2006/7. The PPI is extremely grateful to all of its Supporting Members for their continued support.

In line with the Statement of Recommended Practice (SORP) for all registered charities, the portion of Supporting Members' donations that relates to the subsequent financial year is treated, for accounting purposes, as deferred income.

In 2006/7, income from commissioned research and research grants fell from the levels seen in the previous year. Two significant grants from the Nuffield Foundation ended during 2006/7, as a result the PPI's restricted grant income is less than in 2005/6.

As stated in the 2005/6 report the PPI planned for a modest expansion in 2006/7 and recruited an additional member to the PPI team (now totalling six members of staff). The PPI Director is now a full-time, rather than part-time, position reflecting the growth in the Institute's activities in recent years.

At the end of 2005/6 the PPI had sufficient reserves to cover 7 months of the Institute's operating costs. As a result, Council agreed that the PPI's financial plan for 2006/7 should be for expenditure to exceed income by around £50,000 in order to reduce the level of the Institute's reserves. Overall, the PPI made an operating loss of £62,125 during 2006/7. This is broadly in line with the PPI's financial objective for this financial year to spend down some of the Institute's reserves.

Investment policy and performance

Under the Memorandum and Articles of Association, the Institute has the power to deposit or invest funds in any manner (but to invest only after obtaining advice from a financial expert and having regard to the suitability of investments and the need for diversification).

Risk management

The Council has assessed the major risks to which the Institute is exposed, in particular those related to the operation and finances of the Institute, and is satisfied that systems are in place to mitigate its exposure to the major risks.

Auditors

The auditors, Trustient, were appointed as auditors of the Institute on 1 March 2005. Trustient, having merged with haysmacintyre are willing to be re-appointed in accordance with section 385 of the Companies Act 1985 under the name of haysmacintyre. A resolution for the appointment of auditors will be put to the Governors at the forthcoming AGM.

Plans for the future

In 2007, the Governance Committee will be conducting a review of the PPI constitution and will start the process of recruiting a new Chairman.

Research in 2007 will be around the following key themes:

- Providing an evidence base on current and future trends in retirement provision in the UK;
- The design and policy implications of the Government's state and private pension reforms; and
- The future of existing occupational pension provision in the public and private sectors.

In the longer-term the PPI will also want to conduct research into other non-pension aspects of retirement provision.

The PPI's financial objective for 2007/8 is to breakeven in order to maintain the PPI's reserve at broadly its current level of 6 months' operating costs.

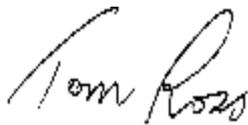
We are pleased to say that the PPI has been awarded a major research grant from the Nuffield Foundation for 2007/8 to undertake further research on Personal Accounts and on public sector pensions.

The demand for commissioned research has also increased as organisations get to grips with the implications of the Government's pension reforms for individuals and providers of pensions alike. Overall, the financial objective to breakeven for 2007/8, though challenging, looks to be achievable.

Approval

This report was approved by the Council on 26 April 2007 and signed on its behalf:

By order of the Council



T M Ross OBE
PPI Chairman
26 April 2007



D J Yeandle
Chairman of the Finance Sub-Committee
26 April 2007

Independent auditor's report to the members of the Pensions Policy Institute

We have audited the financial statements of the Pensions Policy Institute for the year ended 31 January 2007 set out on pages 15-23. These financial statements have been prepared in accordance with the accounting policies set out therein, the Statement of Recommended Practice: Accounting by Charities and the requirements of the Financial Reporting Standard for Smaller Entities (effective January 2005).

This report is made solely to the Institute's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Institute'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 Institute and the Institute's members as a body, for our audit work, for this report, or for the opinion we have formed.

Respective responsibilities of the Council members and auditors
As described in the statement of Council Members' Responsibilities, the Institute's Council Members (who also act as company directors of the Pensions Policy Institute) are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985.

We also report to you if, in our opinion, the Council Member's report is not consistent with the financial statements, if the Institute has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Council Members' remuneration and transactions is not disclosed.

Basis of audit opinion

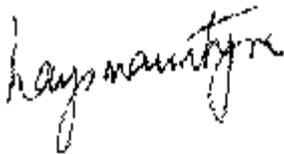
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the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

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

Opinion

In our opinion the financial statements

- Give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice applicable to charities, of the state of the Institute's affairs as at 31 January 2007 and of its incoming resources and application of resources in the year;
- Have been properly prepared in accordance with the Companies Act 1985; and
- The information given in the Council's report is consistent with the financial statements.



haysmacintyre
Chartered Accountants
Registered Auditors
Fairfax House
15 Fulwood Place
London
WC1V 6AY

Date: 26 April 2007

Statement of Financial Activities for the year ending 31 January 2007 (incorporating income and expenditure account)

	Note	Restricted Funds 2007 £	Unrestricted Funds 2007 £	Total Funds 2007 £	<i>Total Funds 2006 £</i>
Incoming resources					
<i>Incoming resources from generated funds:</i>					
Voluntary income	2	-	-	-	200
Investment income	4	-	6,417	6,417	4,776
<i>Incoming resources from charitable activities:</i>					
Research	3	46,106	203,912	250,018	337,261
Total incoming resources		<u>46,106</u>	<u>210,329</u>	<u>256,435</u>	<u>342,237</u>
Resources expended					
<i>Charitable activities:</i>					
Research	6	62,437	221,835	284,272	237,749
<i>Governance:</i>	5 6	-	34,288	34,288	27,078
Total resources expended		<u>62,437</u>	<u>256,123</u>	<u>318,560</u>	<u>264,827</u>
Net (expenditure)/ income for the year		(16,331)	(45,794)	(62,125)	77,410
Total funds at 1 February 2006		<u>16,331</u>	<u>118,765</u>	<u>135,096</u>	<u>57,686</u>
Total funds at 31 January 2007		£ -	£ 72,971	£ 72,971	£ 135,096

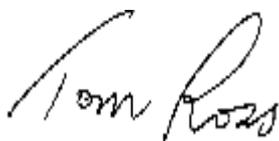
The Statement of Financial Activities includes all gains and losses recognised in the year. The notes on pages 17-23 form part of these financial statements.

Balance sheet as at 31 January 2007

	Note	£	2007 £	£	2006 £
Fixed assets					
Tangible fixed assets	10		5,781		2,824
Current assets					
Debtors	11	36,258		7,958	
Cash at bank		164,735		226,929	
			<u>200,993</u>	<u>234,887</u>	
Creditors: amounts falling due within one year	12	(133,803)		(102,615)	
			<u>67,190</u>	<u>132,272</u>	
Net assets	15		<u>£ 72,971</u>	<u>£ 135,096</u>	
Institute funds					
Restricted Funds	14		-		16,331
Unrestricted - General Funds	14		72,971		118,765
			<u>£ 72,971</u>	<u>£ 135,096</u>	

The financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2005).

The financial statements were approved by the Council members on 26 April 2007 and signed on their behalf, by:



Tom Ross OBE
PPI Chairman



David Yeandle
Chairman of the Finance Sub-Committee

The notes on pages 17-23 form part of these financial statements.

Notes to the financial statements for the year ending 31 January 2007

1. Accounting policies

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention, and in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2005). The financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP), 'Accounting and Reporting by Charities' revised in 2005, applicable accounting standards and the Companies Act 1985. Some of the comparatives have been reformatted to follow the revised Statement of Recommended Practice (SORP) for charities.

1.2 Company status

The Institute is a company limited by guarantee. The members of the Institute are the Governors named on page 4. In the event of the Institute being wound up, the liability in respect of the guarantee is limited to £1 per member of the Institute.

1.3 Fund accounting

General funds are unrestricted funds which are available for use at the discretion of the trustees in furtherance of the general objectives of the Institute and which have not been designated for other purposes.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by donors which have been raised by the Institute for particular purposes. The cost of raising and administering such funds is charged against the specific fund. The aim and use of each restricted fund are set out in the notes to the financial statements.

1.4 Incoming resources

All incoming resources are included in the Statement of Financial Activities when the Institute is legally entitled to the income and the amount can be quantified with reasonable accuracy except as follows:

- When donors specify that donations and grants given to the Institute must be used in future accounting periods, the income is deferred until those periods.
- PPI Supporting Members renew their membership on a 12-month rolling basis. All membership income relating to the financial period covered by this report is recorded in the Statement of Financial Activity. Any membership income relating to the subsequent financial year is stated, for accounting purposes, as deferred income.

1.5 Resources expended

All expenditure is accounted for on an accruals basis and has been included under expense categories that aggregate all costs for allocation to activities. Where costs cannot be directly attributed to particular activities they have been allocated on a basis consistent with the use of the resources.

Overheads and other salaries are allocated between the expense headings on the basis of time spent.

Support costs are those costs incurred directly in support of expenditure on the objects of the Charity and are allocated on a percentage of direct costs and staff time.

Governance costs are those costs incurred in connection with enabling the Institute to comply with external regulation, constitutional and statutory requirements and in providing support to the trustees in the discharge of their statutory duties.

Notes to the financial statements for the year ending 31 January 2007

1.6 Cash flow

The financial statements do not include a cash flow statement because the charitable company, as a small reporting entity, is exempt from the requirement to prepare such a statement under the Financial Reporting Standard for Smaller Entities (effective January 2005).

1.7 Tangible fixed assets and depreciation

All assets costing more than £300 are capitalised.

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Office Equipment	-	10%	straight line
Computer Equipment	-	33.33%	straight line

1.8 Pensions

All permanent staff employed by the Institute are eligible for membership of the Money Purchase Scheme administered by The Pensions Trust. The pensions scheme of the Institute is funded by contributions partly from the employees and partly from the Institute. Such contributions are held in administered funds completely independently of the Institute's finances. The contributions made by the Institute are accounted for on an accruals basis.

1.9 VAT

The Institute is not registered for VAT. In common with many other registered charities, the Pensions Policy Institute's expenses are inflated by VAT, which cannot be recovered.

2. Voluntary income

	Total Funds 2007 £	Total Funds 2006 £
Donations	£ <u> -</u>	£ <u> 200</u>

3. Incoming resources from charitable activity – research

	Total Funds 2007 £	Total Funds 2006 £
Nuffield Foundation	46,106	77,986
Other fees	629	3,369
Commissioned research	33,950	82,740
Membership income	169,333	173,166
Total	£ <u>250,018</u>	£ <u>337,261</u>

Notes to the financial statements for the year ending 31 January 2007

4. Investment income

	Total Funds 2007 £	Total Funds 2006 £
Bank interest receivable	£ <u>6,417</u>	£ <u>4,776</u>

5. Governance

	Total Funds 2007 £	Total Funds 2006 £
Salaries	18,867	15,331
Audit and accountancy	4,348	3,887
Other costs	2,549	1,472
Support costs	8,524	6,388
	<u>£ 34,288</u>	<u>£ 27,078</u>

6. Resources expended

	Direct staff costs £	Other direct costs £	Support costs £	2007 £	2006 £
Research	186,894	26,710	70,668	284,272	237,749
Governance	18,867	6,897	8,524	34,288	27,078
Total	<u>£ 205,761</u>	<u>£ 33,607</u>	<u>£ 79,192</u>	<u>£ 318,560</u>	<u>£ 264,827</u>

7. Support costs include

	Research £	Governance £	2007 £	2006 £
Staff costs	43,518	5,249	48,767	34,883
Office costs	24,865	2,999	27,864	21,357
Other costs	2,285	276	2,561	6,227
Total	<u>£ 70,668</u>	<u>£ 8,524</u>	<u>£ 79,192</u>	<u>£ 62,467</u>

Notes to the financial statements for the year ending 31 January 2007

8. Net (expenditure)/ income

This is stated after charging:

	2007	2006
	£	£
Depreciation of tangible fixed assets:		
- owned by the Institute	2,912	1,057
Auditors' remuneration – audit services	4,348	2,785
Auditors' remuneration – non audit	1,468	1,102
Pension costs	21,053	18,386

During the year, no Council Members received any remuneration (2006 - £NIL).

During the year, no Council Members received any benefits in kind (2006 - £NIL).

During the year, one Council Member received reimbursement of travel expenses - £185 (2006 - £139).

9. Staff costs and numbers

Staff costs were as follows:

	2007	2006
	£	£
Wages and salaries	210,251	175,219
Social security costs	23,223	19,829
Pension costs	21,053	18,386
	<u>£ 254,527</u>	<u>£ 213,434</u>

The average full-time equivalent number of employees during the year was as follows:

	2007	2006
	No.	No.
Charitable activities	5	4
Administration	1	1
	<u>6</u>	<u>5</u>

No employee received remuneration amounting to more than £60,000 in either year.

Notes to the financial statements for the year ending 31 January 2007

10. Tangible fixed assets

	Furniture, fittings and equipment £
Cost	
At 1 February 2006	12,565
Additions	<u>5,870</u>
At 31 January 2007	<u>18,435</u>
Depreciation	
At 1 February 2006	9,742
Charge for the year	<u>2,912</u>
At 31 January 2007	<u>12,654</u>
Net book value	
At 31 January 2007	<u>£ 5,781</u>
<i>At 31 January 2006</i>	<u>£ 2,823</u>

11. Debtors

	2007 £	2006 £
Due within one year		
Prepayments	3,258	2,000
Grants receivable	<u>33,000</u>	<u>5,958</u>
	<u>£ 36,258</u>	<u>£ 7,958</u>

12. Creditors:

Amounts falling due within one year

	2007 £	2006 £
Social security and other taxes	9,073	-
Pensions	1,595	1,622
Other creditors	12,896	1,878
Accruals	6,406	13,198
Deferred income (see note below)	<u>103,833</u>	<u>85,917</u>
	<u>£ 133,803</u>	<u>£ 102,615</u>

Notes to the financial statements for the year ending 31 January 2007

13. Deferred income

	2007	2006
	£	£
Deferred income brought forward at 1 February 2006	85,917	107,250
Membership income received in advance	103,833	85,917
Released to Statement Of Financial Activities	(85,917)	(107,250)
	<u> </u>	<u> </u>
Deferred income carried forward at 31 January 2007	<u>£ 103,833</u>	<u>£ 85,917</u>

14. Statement of funds

	Brought Forward	Incoming Resources	Resources Expended	Carried Forward
	£	£	£	£
Unrestricted funds				
General funds	<u>118,765</u>	<u>210,329</u>	<u>256,123</u>	<u>72,971</u>
Restricted funds				
Evaluating long-term policy reforms project	11,831	37,313	49,144	-
Shaping a stable pensions solution	<u>4,500</u>	<u>8,793</u>	<u>13,293</u>	-
Subtotal	<u>16,331</u>	<u>46,106</u>	<u>62,437</u>	-
Total Funds	<u>£ 135,096</u>	<u>£ 256,435</u>	<u>£ 318,560</u>	<u>£ 72,971</u>

Evaluating long-term policy reform options in the UK pension system project is funded by the Nuffield Foundation. The aim of this project is to construct a suite of simulation models to analyse long-term outcomes of the current UK pension system and possible reforms. The models will allow consistent analysis of individual outcomes, aggregate levels of Government expenditure, and the distributional impact on pensioners' incomes. The models will enhance policy analysis, and add new capability in simulation modelling.

Shaping a stable pensions solution project, is run in partnership with the Nuffield Foundation. This project is aimed to find a consensus pensions solution, by debating the most critical pension issues on the interaction of state and private pensions.

Summary of funds

	Brought Forward	Incoming Resources	Resources Expended	Carried Forward
	£	£	£	£
General funds	118,765	210,329	256,123	72,791
Restricted funds	16,331	46,106	62,437	-
Total funds	<u>£ 135,096</u>	<u>£ 256,435</u>	<u>£ 318,560</u>	<u>£ 72,791</u>

Notes to the financial statements for the year ending 31 January 2007

15. Analysis of net assets between funds

	Restricted Funds 2007 £	Unrestricted Funds 2007 £	Total Funds 2007 £	<i>Total Funds 2006 £</i>
Tangible fixed assets	-	5,781	5,781	<i>2,824</i>
Current assets	-	200,993	200,993	<i>234,887</i>
Creditors due within one year	-	(133,803)	(133,803)	<i>(102,615)</i>
Total	£ -	£ 72,971	£ 72,971	£ 135,096

16. Pension commitments

The Institute is a participating employer in a money purchase scheme administered by The Pensions Trust. The pensions cost charge represents contributions made by the Institute to The Pensions Trust and amounted to £21,053 (2006, £18,386). Contributions totalling £1,595 (2006, £1,622) were payable to the fund at the balance sheet date and are included in creditors.

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