

**PENSIONS POLICY INSTITUTE**

**PPPI**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**1 FEBRUARY 2007 to 31 JANUARY 2008**

**REGISTERED COMPANY NO: 04145584**

**CHARITY NO: 1087856**

**(ENGLAND & WALES)**



## PPI Annual Report and Statement of Financial Activity 2008

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## Chairman's report

I am pleased to present to Governors the Seventh 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.

It was another busy year for UK pensions policy and for the PPI, with the publication of a further Government White Paper on pensions and the passage of the Pensions Act 2007. The Act enshrined the Government's state pension reforms in legislation and established a new body, the personal accounts delivery authority, to advise the Government on the implementation of the new personal accounts. The PPI published a wide range of research reports and briefing notes and held a number of policy seminars to inform the debate about the policy direction of the new personal accounts. We also published an important piece of research looking at the changing landscape for defined benefit schemes in the private sector.

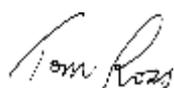
Council held another successful strategy day in October 2007. We agreed that while pensions policy, and in particular personal accounts, has been a major focus for the PPI's research agenda in 2007/8, looking forward to the second half of 2008/9 and beyond the PPI is likely to conduct research on broader retirement provision policy issues.

Council also felt that it is important for the Institute to continue 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. This year I am delighted to report that the PPI welcomed two new gold members and four new silver members. To all of those people who support the PPI, and to my fellow Council Members and the team led by Niki, I express my warm thanks.

I particularly want to recognise and personally thank two member of Council who are stepping down this year – Harriet Maunsell and Janet Askham who have been invaluable colleagues; Harriet, as Chair of the Governance Committee and Janet for her insightful academic knowledge and for her help on accommodation.

Last year I advised the Governors of my intention to retire as the PPI Chairman at the 2008 AGM. It is with great pleasure that I hand over to Matthew Annable from Barclays Global Investors. Matthew has a wealth of experience in the investment management industry and I look forward to another successful year for the Institute under his leadership.



T M Ross OBE  
Chairman

## Council's report

The Council is pleased to present the annual report and the financial statements of the Pensions Policy Institute (the 'Institute') for the year ended 31 January 2008.

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

<b>Company registered number</b>	<b>04145584</b>
<b>Charity registered number</b>	<b>1087856</b>
<b>Principal operating office</b>	<b>Pensions Policy Institute King's College 26 Drury Lane 3<sup>rd</sup> Floor, Room 311 London WC2B 5RL</b>
<b>Registered office</b>	<b>10 Snow Hill London EC1A 2AL</b>
<b>Company secretary</b>	<b>Nicola Cleal</b>
<b>Auditors</b>	<b>haysmacintyre Chartered Accountants Registered Auditors Fairfax House 15 Fulwood Place London WC1V 6AY</b>
<b>Bankers</b>	<b>Unity Trust Bank Nine Brindley Place 4 Oozells Square Birmingham B1 2HB</b>  <b>Cater Allen Private Bank 9 Nelson Street Bradford BD1 5AN</b>
<b>Solicitors</b>	<b>Travers Smith 10 Snow Hill London EC1A 2AL</b>

**Council Members**

<b>Professor Janet Askham</b>	<b>(appointed 2002, resigned 2007)</b>
<b>Nicola Cleal (ex officio)</b>	<b>(appointed 2006)</b>
<b>Laurie Edmans</b>	<b>(appointed 2007)</b>
<b>Professor Ruth Hancock</b>	<b>(appointed 2001, re-elected 2007)</b>
<b>Paul Johnson</b>	<b>(appointed 2001, re-elected 2007)</b>
<b>Harriet Maunsell OBE</b>	<b>(appointed 2005)</b>
<b>John Pearson</b>	<b>(appointed 2002, resigned 2007)</b>
<b>Michael Pomery</b>	<b>(appointed 2006)</b>
<b>Rhoslyn Roberts</b>	<b>(appointed 2002, re-elected 2005)</b>
<b>Tom Ross OBE (Chairman)</b>	<b>(appointed 2001, re-elected 2005)</b>
<b>Joanne Segars</b>	<b>(appointed 2001, re-elected 2007)</b>
<b>Teresa Sienkiewicz</b>	<b>(appointed 2003, re-elected 2006)</b>
<b>Paul Stannard</b>	<b>(appointed 2007)</b>
<b>Peter Thompson</b>	<b>(appointed 2003, re-elected 2006)</b>
<b>David Yeandle</b>	<b>(appointed 2001, re-elected 2006)</b>
<b>Andrew Young</b>	<b>(appointed 2002, re-elected 2005)</b>

<b>Institute Director</b>	<b>Nicola Cleal</b>
<b>Secretary</b>	<b>Nicola Cleal</b>
<b>President</b>	<b>Baroness Sally Greengross OBE (appointed 15 June 2004)</b>

**Governors**

Dr Ros Altmann	Paul Lewis	Dr Martin Weale CBE
Professor Janet Askham	Gordon Lishman OBE	Edward Weiss
Professor Sir Tony Atkinson	Iain Lumsden	David Yeandle*
Scott Bell CBE (deceased 2007)	Anne Maher	Andrew Young*
Professor Richard Berthoud	Harriet Maunsell OBE*	
Rodney Bickerstaffe	Professor Stephen McNair	
Professor Philip Booth	Professor David Miles	
Ronnie Bowie	Peter Murray	
Dame Ann Bowtell	Alison O'Connell	
Robert Chote	Professor Sir Alan Peacock	
Professor Gordon Clark	John Pearson	
Simon Davies	Alan Pickering CBE	
Professor Richard Disney	Michael Pomery CVO*	
Kenneth Dixon CBE	Dr Katherine Rake	
Jeannie Drake	Brian Ridsdale	
Laurie Edmans CBE*	Stewart Ritchie OBE	
Professor John Ermisch	Rhoslyn Roberts*	
Andrew Evans	Sir Steve Robson	
Professor Eileen Evason	Michael Ross CBE	
Professor Jane Falkingham	Alastair Ross Goobey CBE (deceased 2008)	
Christine Farnish	Tom Ross OBE**	
Terry Faulkner	Jane Samsworth	
Mary Francis CBE	Richard Saunders	
Norman Glass	Joanne Segars OBE*	
Baroness Sally Greengross OBE***	David Severn	
Stephen Haddrill	Teresa Sienkiewicz*	
Professor Ruth Hancock*	Brian Spence	
Dr Sarah Harper	Paul Stannard*	
Professor John Hills	Richard Stroud	
Chris Hitchen	Peter Thompson*	
Tony Hobman	Otto Thoresen	
Paul Johnson*	Paul Thornton	
John Kay	Nick Timmins	
Lord Kirkwood of Kirkhope	Anthony Tomei	
Michael Lake CBE	Lord Turner of Ecchinswell	
Richard Lambert	Julia Unwin CBE	
Desmond Le Grys	Professor John Van Reenen	
Chris Lewin	Professor Robert Walker	

\*\*\* President

\*\* Chairman of Council

\* Council Members (at 31 Jan 08)

## 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 during this period 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 has the 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 during this period are set out on page 3.

At the Annual General Meeting on 4 June 2008, 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 4 June 2008 are Harriet Maunsell, Rhoslyn Roberts, Tom Ross and Andrew Young. Harriet Maunsell and Tom Ross 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:

<b>Finance</b>	<b>Chair:</b>	David Yeandle
	<b>Members:</b>	Teresa Sienkiewicz Rhoslyn Roberts
<b>Funding</b>	<b>Chair:</b>	Tom Ross
	<b>Members:</b>	Laurie Edmans Michael Pomery Joanne Segars Andrew Young
<b>Governance</b>	<b>Chair:</b>	Harriet Maunsell
	<b>Members:</b>	Janet Askham Michael Pomery Paul Stannard Tom Ross
<b>Remuneration</b>	<b>Chair:</b>	Tom Ross
	<b>Members:</b>	Paul Johnson Peter Thompson

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

**Council’s responsibilities**

The Council of the Institute is responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company and charity law require the Council to prepare financial statements for each financial year. Under that law the Council have been elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the charitable company and of its incoming resources and application of resources, including its income and expenditure, for that period. In preparing these financial statements, the Council is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

The Council is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the charitable company and to enable it to ensure that the financial statements comply with the Companies Act 1985. The Council is also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

So far as each member of the Council is aware at the time the report is approved:

- there is no relevant audit information of which the charitable company's auditors are unaware; and
- Council Members have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the 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 and retirement provision 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

The Government undertook a significant pension reform programme during 2007 that has long-term implications for both state and private pensions in the UK. The Government's package of pension reforms include:

- Reforms to the state pensions:
  - re-linking the Basic State Pension to earnings,
  - reforms to the eligibility criteria for the Basic State Pension to make it easier for women and carers to qualify, and
  - flattening the earnings-related element of the State Second Pension by 2030.
- Increases to the State Pension Age in a series of increments starting in 2024.
- The introduction of a new system of low-cost personal accounts into which employees would be automatically enrolled unless they opt out.

### In 2007 the Government:

- Consulted on the details of the design of the new system of personal accounts;
- Introduced legislation in the form of the Pensions Act 2007 to enact the Government's state pension reforms and to establish the personal accounts delivery authority (PADA) to advise the Government on the design of the new personal accounts.

### Research and information output

In 2007/8, the PPI published 8 research reports and 8 briefing notes on a wide range of topics relating to pensions and retirement provision. There were approximately 85,000 downloads of PPI reports and briefing notes from the website in the year, an increase of 40% from the level in 2006/7. The PPI had three research themes for 2007/8.

#### **Theme 1: Providing an evidence base on current and future trends in retirement provision in the UK**

The PPI has continued to maintain and update its description of the pensions framework in the UK – *The Pensions Primer*. The Primer continues to be one of the most frequently downloaded publications from the PPI's website with 6,200 downloads during 2007/8.

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

The PPI is part of a consortium awarded a grant by the Economic and Social Research Council (ESRC) and other Research Councils to model the needs and resources of older people to 2030 in collaboration with researchers at the University of East Anglia, University of Leicester, London School of Hygiene and Tropical Medicine, and the London School of Economics. The three-year study started in January 2007 and will produce consistent projections of expenditure on pensions policy and long-term care.

## **Theme 2: The design and policy implications of the Government's state and private pension reforms**

The debate about the incentives to save in pensions as a result of the interaction with the state benefit and tax system continued throughout the year. The Department for Work and Pensions (DWP) held a seminar chaired by the former Chair of the Pensions Commission, Lord Turner, in February 2007 in response to requests for further evidence from members of the Pensions Bill 2006/7 Standing Committee. The PPI presented analysis on the suitability of personal accounts and on projections of future eligibility for Pension Credit. Updated projections for Pension Credit eligibility and, for the first time, projections of future eligibility for Housing Benefit and Council Tax Benefit were published in December 2007.

The Equal Opportunities Commission<sup>1</sup> commissioned the PPI to investigate the impact of altering the limits for trivial commutation in order to increase the returns from saving in a personal account for some individuals at risk of low returns. The research was published in June 2007, as part of the EOC's working paper series. The report was launched at an event sponsored by Scottish Widows.

B&CE Benefit Schemes commissioned the PPI to provide an independent assessment of an option for increasing the suitability of pension saving: the introduction of a pension income disregard. The report was published in November 2007.

The PPI held a series of seminars supported by research reports that ran throughout 2007 exploring outstanding issues in personal accounts.

- The first seminar was held in March 2007 and was sponsored by DWP, Standard Life and AEGON Scottish Equitable. The research analysed the impact of using alternative charging structures for personal accounts.
- The second seminar was held in May 2007 and was sponsored by DWP, Investment Management Association (IMA), National Association of Pension Funds (NAPF) and Which? The research considered the role, responsibilities, accountability and structure of the proposed delivery authority (PADA) and the board for personal accounts.
- The third seminar was held in November 2007 and was sponsored by the Nuffield Foundation. The paper illustrated the potential impact of the Government's reforms for work-based pension saving in the UK on the numbers of savers and the total amount of saving in both personal accounts and existing pension products.

The Pensions Commission recommended that a permanent Independent Pensions Commission should be established. The PPI published a report in January 2008 that set out the long-term goals for pensions policy, and the relative merits and drawbacks of establishing an Independent Pensions Commission or the use of periodic independent reviews in reviewing pensions policy. This research was funded by the Nuffield Foundation.

<sup>1</sup> As from 1 October 2007 the EOC became part of the Equality and Human Rights Commission (EHRC)

### Theme 3: The future of existing occupational pension provision

The PPI produced a report on the future for Defined Benefit (DB) pension schemes in the private sector. The research was funded through the PPI's supporting membership scheme. Threadneedle sponsored the publication costs and hosted the launch event for PPI supporting members in October 2007.

#### PPI encouraging debate

The PPI has continued to act as a focal point for debate and discussion on pension reform and retirement provision throughout the year. New PPI research was presented at six policy seminars over the course of the year that were attended by Ministers, politicians from all of the main political parties, Government officials, other policy makers in representative organisations, pensions and the wider financial services industry. In total more than 250 people attended PPI events. The Director, Research Director and Senior Policy Analyst 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 met regularly with Mike O'Brien MP (Minister of State for Pensions Reform) and his predecessor James Purnell MP, and the opposition spokespeople on pensions: Danny Alexander MP and Lord Oakeshott, Chris Grayling MP and Nigel Waterson 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 second White Paper *Personal Accounts: a new way to save*, the Work and Pensions Select Committee's *inquiry to examine the feasibility of simplifying the UK benefit system*, the Thoresen Review on *Generic Financial Advice* and gave oral and written evidence to *the Pensions Bill Committee 2007/8*.

#### PPI governance

In the 2006/7 annual report, we announced that the PPI would begin the process of recruiting a new Chairman as Tom Ross would step down as PPI Chairman at the AGM in 2008. The Council is pleased to announce that it will elect Matthew Annable of Barclays Global Investments as PPI Chairman, when he is appointed as a member of Council at the 2008 AGM.

#### Related party relationship

During the year, the Institute carried out some commissioned research for The National Association of Pension Funds (NAPF), where the chief executive, Joanne Segars OBE is also a Council Member of the Institute. An arms-length fee of £4,500 was charged for this work.

## 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 to six months' operating costs. Six months will allow the PPI to honour its contractual liabilities (e.g. staff notice periods, some of which are six 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 2008, the free reserves were at £230,400 including the deferred income of £103,942 (2007: £171,023). This is sufficient for the charity to continue operating for at least 6 months, in line with the Institute's reserves policy.

### PPI financial position

The PPI's core research and information activities for 2007/8 were funded by regular donations made by Supporting Members, of whom there are currently 26. Membership income funds activities such as core research reports, briefing notes, 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 two new gold members and four new silver members during 2007/8. The PPI is extremely grateful to all of its Supporting Members for their continued support. We also reviewed the membership scheme and as a result in 2008/9 there will be three PPI membership levels: platinum, gold and silver. 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 2007/8, the PPI published more commissioned research than planned and received a number of research grants. We received considerable support from the Nuffield Foundation. The Foundation funded research on the impact of personal accounts on the existing pension market and on the possible role of a permanent Independent Pensions Commission in reviewing the direction of pensions policy. The PPI is also a member of a consortium funded by a grant from a number of Research Councils on Modelling Ageing Populations to 2030 and beyond.

The PPI had six full-time members of staff for most of 2007/8. The financial objective for 2007/8 agreed by Council was for the PPI to break even. The PPI generated more income and lower expenditure than planned, leading to an overall surplus of £56,356 which will help to increase the level of the PPI's reserves. Some of this surplus will be re-invested in 2008/9, for example, the

PPI is keen to upgrade the website and, if the finances allow, to recruit a seventh member of staff.

#### **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**

Haysmacintyre are willing to be re-appointed in accordance with section 385 of the Companies Act 1985. A resolution for the appointment of auditors will be put to the Governors at the forthcoming AGM in June 2008.

## **Plans for the future**

In 2008 the PPI plans to continue to focus its research around three key themes:

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

Given the UK Government's significant pension reform agenda, the PPI's research agenda in 2008/9 is likely to continue to be dominated by research into aspects of pensions policy in the short-term, but towards the end of the year and in the future the PPI is likely to want to look at broader policy issues around retirement provision.

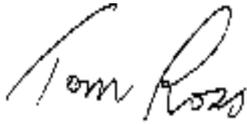
The PPI's financial objective for 2008/9 is to break-even in order to maintain the PPI's reserves at broadly its current level of six months operating costs.

Demand for commissioned research remains buoyant and the Nuffield Foundation has awarded the PPI a grant to conduct research on public sector pensions in 2008/9. Overall, the PPI is making steady progress towards meeting its financial objective for 2008/9 which, though challenging, looks to be achievable.

**Approval**

This report was approved by the Council on 24 April 2008 and signed on its behalf:

By order of the Council



**T M Ross OBE**  
**PPI Chairman**  
**24 April 2008**



**D J Yeandle**  
**Chairman of the Finance Sub-Committee**  
**24 April 2008**

## 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 2008 which comprise the Statement of Financial Activities, the Balance Sheet, and the related notes, set out on pages 16-24. These financial statements have been prepared in accordance with the accounting policies set out therein and the requirements of the Financial Reporting Standard for Smaller Entities (effective January 2007).

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 is responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The Council Members are also directors of the Pensions Policy Institute for the purposes of company law.

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 and whether the information given in the Council's report is consistent with the financial statements. We also report to you if, in our opinion 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.

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

### **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

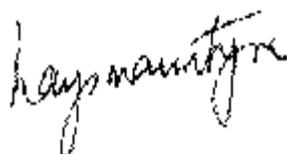
financial statements, and of whether the accounting policies are appropriate to the Institute's circumstances, consistently applied and adequately disclosed.

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, of the state of the Institute's affairs as at 31 January 2008 and of its incoming resources and application of resources in the year then ended, including its income and expenditure;
- the financial statements have been properly prepared in accordance with the Companies Act; 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: 24 April 2008

## Statement of Financial Activities for the year ending 31 January 2008 (incorporating income and expenditure account)

	Note	Restricted Funds 2008 £	Unrestricted Funds 2008 £	Total Funds 2008 £	Total Funds 2007 £
<b>Incoming resources</b>					
<i>Incoming resources from generated funds:</i>					
Investment income	3	-	6,938	6,938	6,417
<i>Incoming resources from charitable activities:</i>					
Research	2	96,394	322,057	418,451	250,018
<b>Total incoming resources</b>		<u>96,394</u>	<u>328,995</u>	<u>425,389</u>	<u>256,435</u>
<b>Resources expended</b>					
<i>Charitable activities:</i>					
Research	5	96,394	203,296	299,690	284,272
<i>Governance:</i>	4, 5	-	69,343	69,343	34,288
<b>Total resources expended</b>		<u>96,394</u>	<u>272,639</u>	<u>369,033</u>	<u>318,560</u>
<b>Net (expenditure)/ income for the year</b>		-	56,356	56,356	(62,125)
<b>Total funds at 1 February 2007</b>		-	72,971	72,971	135,096
<b>Total funds at 31 January 2008</b>		<u>£ -</u>	<u>£129,327</u>	<u>£129,327</u>	<u>£72,971</u>

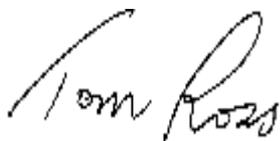
The Statement of Financial Activities includes all gains and losses recognised in the year. The notes on pages 17-24 form part of these financial statements.

**Balance sheet as at 31 January 2008**

	Note	£	2008 £	£	2007 £
<b>Fixed assets</b>					
Tangible fixed assets	9		2,869		5,781
<b>Current assets</b>					
Debtors	10	66,062		36,258	
Cash at bank		186,760		164,735	
			<u>252,822</u>	<u>200,993</u>	
<b>Creditors: amounts falling due within one year</b>					
	11	(126,364)		(133,803)	
			<u>126,458</u>		<u>67,190</u>
<b>Net assets</b>	14		<u>£129,327</u>		<u>£72,971</u>
<b>Institute funds</b>					
Restricted Funds	13		-		-
Unrestricted - General Funds	13		129,327		72,971
			<u>£129,327</u>		<u>£72,971</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 2007).

The financial statements were approved by the Council Members on 24 April 2008 and signed on their behalf, by:



Tom Ross OBE  
PPI Chairman



David Yeandle  
Chairman of the Finance Sub-Committee

The notes on pages 17-24 form part of these financial statements.

## Notes to the financial statements for the year ending 31 January 2008

### 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 2007). The financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP), 'Accounting and Reporting by Charities' revised in March 2005, applicable accounting standards and the Companies Act 1985. Some of the comparatives have been restated 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 Institute and are allocated on a percentage of direct costs and staff time.

## Notes to the financial statements for the year ending 31 January 2008

### 1.5 Resources expended

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.

### 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 2007).

### 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 a Group Stakeholder Pension Plan administered by AEGON Scottish Equitable. The Institute makes contributions into the scheme. Employees may also make individual contributions within the limits set by HM Revenue and Customs. 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.

## Notes to the financial statements for the year ending 31 January 2008

<b>2. Incoming resources from charitable activity – research</b>				<b>Total Funds 2008 £</b>	<b>Total Funds 2007 £</b>
Research Grants				96,394	46,106
Other income				10,174	629
Commissioned research				98,400	33,950
Membership income				213,483	169,333
<b>Total</b>				<b>£418,451</b>	<b>£ 250,018</b>
<b>3. Investment income</b>				<b>Total Funds 2008 £</b>	<b>Total Funds 2007 £</b>
Bank interest receivable				£6,938	£ 6,417
<b>4. Governance</b>				<b>Total Funds 2008 £</b>	<b>Total Funds 2007 £</b>
Salaries				46,725	18,867
Audit and accountancy				5,288	4,348
Other costs				2,182	2,549
Support costs				15,148	8,524
				<b>£69,343</b>	<b>£ 34,288</b>
<b>5. Resources expended</b>	<b>Direct staff costs</b>	<b>Other direct costs</b>	<b>Support costs</b>	<b>2008</b>	<b>2007</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Research	213,428	21,682	64,580	299,690	284,272
Governance	46,725	7,470	15,148	69,343	34,288
<b>Total</b>	<b>£ 260,153</b>	<b>£29,152</b>	<b>£79,728</b>	<b>£369,033</b>	<b>£318,560</b>

## Notes to the financial statements for the year ending 31 January 2008

6. Support costs include	Research	Governance	2008	2007
	£	£	£	£
Staff costs	32,155	7,542	39,697	48,767
Office costs	29,480	6,915	36,395	27,864
Other costs	2,945	691	3,636	2,561
<b>Total</b>	<b>£ 64,580</b>	<b>£15,148</b>	<b>£79,728</b>	<b>£79,192</b>

7. Net (expenditure)/income	2008	2007
	£	£
This is stated after charging:		
Depreciation of tangible fixed assets:		
- owned by the Institute	2,912	2,912
Auditor's remuneration – audit services	3,526	3,526
Auditor's remuneration – non audit	1,762	2,290
Pension costs	23,295	21,053

During the year, no Council Member received any remuneration (2007 - £NIL ).

During the year, no Council Member received any benefits in kind (2007 - £NIL).

During the year, one Council Member received reimbursement of travel expenses - £123 (2007 - £185).

8. Staff costs and numbers	2008	2007
	£	£
Staff costs were as follows		
Wages and salaries	248,657	210,251
Social security costs	27,898	23,223
Other pension costs	23,295	21,053
	<b>£299,850</b>	<b>£254,527</b>

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

	2008	2007
	No.	No.
Charitable activities	5	5
Administration	1	1
	<b>6</b>	<b>6</b>

One employee received remuneration amounting to more than £60,000 in each year.

## Notes to the financial statements for the year ending 31 January 2008

<b>9. Tangible fixed assets</b>		<b>Furniture, fittings and equipment £</b>
<b>Cost</b>		
At 1 February 2007		18,435
Additions		-
		<hr/>
At 31 January 2008		18,435
		<hr/>
<b>Depreciation</b>		
At 1 February 2007		12,654
Charge for the year		2,912
		<hr/>
At 31 January 2008		15,566
		<hr/>
<b>Net book value</b>		
At 31 January 2008		£2,869
		<hr/> <hr/>
At 31 January 2007		£5,781
		<hr/> <hr/>
<b>10. Debtors</b>	<b>2008</b>	<b>2007</b>
Due within one year	£	£
Debtors	61,812	-
Prepayments	750	3,258
Accrued income	3,500	33,000
	<hr/>	<hr/>
	£66,062	£ 36,258
	<hr/> <hr/>	<hr/> <hr/>
<b>11. Creditors: amounts falling due within one year</b>	<b>2008</b>	<b>2007</b>
	£	£
Social security and other taxes	8,699	9,073
Pensions	2,175	1,595
Other creditors	-	12,896
Accruals	11,548	6,406
Deferred income (see note below)	103,942	103,833
	<hr/>	<hr/>
	£126,364	£133,803
	<hr/> <hr/>	<hr/> <hr/>

## Notes to the financial statements for the year ending 31 January 2008

12. Deferred income		2008	2007
		£	£
Deferred income brought forward at 1 February 2007		103,833	85,917
Membership income received in advance		103,942	103,833
Released to Statement Of Financial Activities		(103,833)	(85,917)
Deferred income carried forward at 31 January 2008		£103,942	£103,833

13. Statement of funds	Brought Forward	Incoming Resources	Resources Expended	Carried Forward
	£	£	£	£
Unrestricted funds				
General funds	72,971	328,995	272,639	129,327
Restricted funds				
ESRC Modelling Needs and Resources to Older People to 2030	-	35,568	35,568	-
Nuffield Long Term Pensions Policy Making	-	20,920	20,920	-
Shaping a stable pensions solution	-	39,906	39,906	-
Subtotal	-	96,394	96,394	-
Total Funds	£ 72,971	£425,389	£369,033	£129,327

**MAP 2030: Modelling Ageing Populations to 2030** – The PPI is part of a three year consortium awarded grant by the Research Councils, including the ESRC, under the New Dynamics of Ageing research programme, to conduct a study on Modelling Needs and Resources of Older People to 2030.

**Maintaining consensus: long-term goals for the UK pensions system and options for ongoing policy review** (funded by the Nuffield Foundation) – This research sets out the long-term goals for pensions policy, and the relative merits and drawbacks of the two main approaches suggested in helping to achieve these goals.

**Shaping a stable pensions solution: next steps** (funded by the Nuffield Foundation) – The research illustrates the potential impact of the Government's key reform proposals for work-based pension saving in the UK.

Summary of funds	Brought Forward	Incoming Resources	Resources Expended	Carried Forward
	£	£	£	£
General funds	72,971	328,995	272,639	129,327
Restricted funds	-	96,394	96,394	-
Total funds	£ 72,971	£425,389	£369,033	£129,327

## Notes to the financial statements for the year ending 31 January 2008

14. Analysis of net assets between funds	Restricted Funds 2008 £	Unrestricted Funds 2008 £	Total Funds 2008 £	<i>Total Funds 2007 £</i>
Tangible fixed assets	-	2,869	2,869	5,781
Current assets	-	252,822	252,822	200,993
Creditors due within one year	-	(126,364)	(126,364)	(133,803)
<b>Total</b>	<b>£ -</b>	<b>£129,327</b>	<b>£129,327</b>	<b>£72,971</b>

### 15. Pension commitments

In 2007/8 the Pensions Policy Institute transferred from The Pensions Trust Money Purchase Scheme to a Group Stakeholder Pension Plan administered by AEGON Scottish Equitable. The pensions cost charge represents contributions made by the Institute to The Pensions Trust & AEGON Scottish Equitable and amounted to £23,295 (2007, £21,053). Contributions totalling £2,175 (2006, £1,595) were payable to the fund at the balance sheet date and are included in creditors.

### 16. Related party transaction

During the year, the Institute carried out some commissioned research for The National Association of Pension Funds (NAPF), where the chief executive, Joanne Segars OBE is also a Council Member of the Institute. An arms-length fee of £4,500 was charged for this work

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