

THE ECONOMIC AND SOCIAL RESEARCH INSTITUTE

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

THE ECONOMIC AND SOCIAL RESEARCH INSTITUTE

(A Company Limited by Guarantee and not having a Share Capital)

**FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2013**

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THE ECONOMIC AND SOCIAL RESEARCH INSTITUTE
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COUNCIL MEMBERS AND OTHER INFORMATION

COUNCIL MEMBERS As at 31st December 2013

Laurence Crowley (Chairman)	
Frances Ruane	Philip Lane
Vani Borooah	Hannah McGee
John Buckley* **	Padraig McManus*
Patrick Honohan	David Moloney
Paul Johnson	Brid O'Brien
Michael Kelly*	Gerry O'Hanlon

Council Members are the Directors of the ESRI.

*Audit Committee Members

** New Member 2013

The ESRI Audit Committee is made up of three non-executive council members.

AUDITORS The Comptroller and Auditor General
Treasury Building
Dublin Castle
Dublin 2

BANKERS Bank of Ireland
Lower Baggot Street
Dublin 2

permanent tsb
56/59 St Stephens Green
Dublin 2

SOLICITORS Hayes Solicitors
Lavery House
Earlsfort Terrace
Dublin 2

SECRETARY and
REGISTERED OFFICE Charles O'Regan
Whitaker Square
Sir John Rogerson's Quay
Dublin 2

THE ECONOMIC AND SOCIAL RESEARCH INSTITUTE
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COUNCIL REPORT

The council members present their report and the financial statements for the year ended 31 December 2013.

Principal activities

The ESRI undertakes research designed to provide knowledge relevant to solving the major economic and social issues in Ireland.

Health & Safety

The ESRI is committed to the implementation of the requirements of the Safety, Health and Welfare at Work Act, 1989 to ensure the health and safety of all employees and visitors to the Institute. A written safety statement has been prepared and is being implemented in accordance with the Act.

Equality

The ESRI is an equal opportunities employer.

Auditors

Under Section 5 of the Comptroller and Auditor General (Amendment) Act, 1993 it is the responsibility of the Comptroller and Auditor General to audit the financial statements of the Institute.

Planned Transfer of Significant Activity

A significant proportion of the Institute's Income in recent years came from research work completed in its Health Research and Information Division (HRID) in relation to the Hospital-In-Patient Enquiry Scheme (HIPE). This research activity and management of the HIPE system transferred to a new body, the Healthcare Pricing Office (HPO), from the beginning of 2014 with staff in the HRID division seconded to the HPO. While this decision significantly reduced the Institute's income, its cost will also reduce as a result of the transfer of related staff. The Institute took action to address the expected shortfall associated with the contribution of this research work towards its general overheads including establishing a new Health Research Programme and securing a Tenant for the 4th floor of the ESRI building.

Growing Up in Ireland

The Institute has a contract with the Department of Children and Youth Affairs to conduct Phase 1 of a national longitudinal study of children in Ireland. This contract will expire at the end of 2014. The Minister of the Department has indicated that a procurement process for the next phase of the study in the period 2015-2019 will commence in 2014.

STATEMENT OF COUNCIL RESPONSIBILITIES

The council members are required to prepare financial statements which give a true and fair view of the state of affairs of the company and of the surplus or deficit of the company for the year. In preparing those financial statements, the council members are required to:

- select suitable accounting policies and then apply them consistently.
- make judgements and estimates that are reasonable and prudent.
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.
- disclose and explain any material departures from applicable accounting standards.

The council members confirm that they have complied with the above requirements. The council members are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Acts, 1963 to 2013. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention of fraud and other irregularities.

To ensure that proper books and accounting records are kept in accordance with Section 202 of the Companies Act, 1990, the company has employed appropriately qualified personnel and has maintained appropriate computerised accounting systems. The books of account are located at the company's registered office at Whitaker Square, Dublin 2.

Council Member: Frances Ruane Date: 4 Sept 2014

Council Member: Laurence Crowley Date: 4 Sept 2014

THE ECONOMIC AND SOCIAL RESEARCH INSTITUTE

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STATEMENT ON INTERNAL FINANCIAL CONTROL

Responsibilities

On behalf of the Council of The Economic and Social Research Institute I acknowledge our responsibility for ensuring that an effective system of internal financial control is maintained and operated.

The system can only provide reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected in a timely period.

Key Control Procedures

The Council has taken steps to ensure an appropriate control environment by

- clearly defining management responsibilities;
- establishing formal procedures for reporting significant control failures and ensuring appropriate corrective action.

The system of internal financial control is based on a framework of regular management information, administrative procedures including segregation of duties and a system of delegation and accountability. In particular it includes:

- comprehensive budgeting system with an annual budget which is reviewed and agreed by the Council;
- regular reviews by the Council of periodic and annual financial reports which indicate financial performance against forecasts;
- setting targets to measure financial and other performance;
- clearly defined capital investment control guidelines;
- formal project management disciplines.

The Economic and Social Research Institute has outsourced the internal audit function, which operates in accordance with the Framework Code of Best Practice set out in the Code of Practice for the Governance of State Bodies. The work of internal audit is informed by analysis of the risk to which the body is exposed, and annual internal audit plans are based on this analysis. The analysis of risk and the internal audit plans are endorsed by the Audit Committee and approved by the Council. At least annually, the Internal Auditor provides the Council with a report of internal audit activity. The report includes the Internal Auditor's opinion on the adequacy and effectiveness of the system of internal financial control.

The Council's monitoring and review of the effectiveness of the system of internal financial control is informed by the work of the internal auditor, the Audit Committee which oversees the work of the internal auditor, the executive managers within The Economic and Social Research Institute who have responsibility for the development and maintenance of the financial control framework, and comments made by the Comptroller and Auditor General in his management letter or other reports.

Annual Review of Controls

I confirm that for the year ended 31 December 2013 the Council has conducted a review of the effectiveness of the system of internal financial controls.

Signed on behalf of the Council

Laurence Crowley
Chairman of the Board

Date 4 Sept 2014

**COMPTROLLER AND AUDITOR GENERAL
REPORT FOR PRESENTATION TO THE HOUSES OF THE OIREACHTAS**

Economic and Social Research Institute

I have audited the financial statements of the Economic and Social Research Institute for the year ended 31 December 2013 under the under the Comptroller and Auditor General (Amendment) Act 1993. The financial statements, which have been prepared under the accounting policies set out therein, comprise the statement of accounting policies, the income and expenditure account, the statement of total recognised gains and losses, the balance sheet, the cash flow statement and the related notes. The financial statements have been prepared in the form prescribed under the Companies Acts 1963 to 2013, and in accordance with generally accepted accounting practice in Ireland.

Responsibilities of the directors

The directors are responsible for the preparation of the financial statements, for ensuring that they give a true and fair view of the state of the company's affairs and of its income and expenditure, and for ensuring the regularity of transactions.

Responsibilities of the Comptroller and Auditor General

My responsibility is to audit the financial statements and report on them in accordance with applicable law.

My audit is conducted by reference to the special considerations which attach to State bodies in relation to their management and operation.

My audit is carried out in accordance with the International Standards on Auditing (UK and Ireland) and in compliance with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements, sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of

- whether the accounting policies are appropriate to the company's circumstances, and have been consistently applied and adequately disclosed
- the reasonableness of significant accounting estimates made in the preparation of the financial statements, and
- the overall presentation of the financial statements.

I also seek to obtain evidence about the regularity of financial transactions in the course of audit.

In addition, I read the company's annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge

acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

Opinion on the financial statements

In my opinion, the financial statements:

- give a true and fair view, in accordance with generally accepted accounting practice in Ireland, of the state of the company's affairs at 31 December 2013 and of its income and expenditure for 2013; and
- have been properly prepared in accordance with the Companies Acts 1963 to 2013.

Matters on which I am required to report by the Companies Acts 1963 to 2013

I have obtained all the information and explanations that I consider necessary for the purpose of my audit. In my opinion, proper books of account have been kept by the company. The financial statements are in agreement with the books of account.

In my opinion, the information given in the Council members' report is consistent with the financial statements.

Matters on which I report by exception

I report by exception if

- my audit noted any material instance where money has not been applied for the purposes intended or where the transactions did not conform to the authorities governing them, or
- the information given in the company's annual report is not consistent with the related financial statements, or
- the statement on internal financial control does not reflect company's compliance with the Code of Practice for the Governance of State Bodies, or
- the statutory disclosures of directors' remuneration and of transactions with directors are not made, or
- I find there are other material matters relating to the manner in which public business has been conducted.

I have nothing to report in regard to those matters upon which reporting is by exception.

**Patricia Sheehan
For and on behalf of the
Comptroller and Auditor General
8th September 2014**

THE ECONOMIC AND SOCIAL RESEARCH INSTITUTE

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STATEMENT OF ACCOUNTING POLICIES

The principal accounting policies adopted by the company in determining the amounts included in the balance sheet and in determining the results for the year are as follows:

1. **Basis of accounting**
The financial statements are prepared on an accruals basis under the historical cost convention and in accordance with generally accepted accounting practice.
2. **Income**
The Grant-in-aid shown in the Income and Expenditure Account reflects the amounts receivable from the Department of Public Expenditure and Reform in respect of the year.

Research Income represents the value of work completed on individual projects during the year. Where the value of work completed on a project exceeds the amounts received the difference is included in the balance sheet under debtors as Revenue from projects. If the value of work completed is less than the amounts received the difference is included in the balance sheet under creditors as deferred income.

3. **Fixed Assets**
Tangible fixed assets are shown at cost less accumulated depreciation. Depreciation is charged in the income and expenditure account, on a straight line basis, at the annual rates set out below, so as to write-off the assets, adjusted for estimated residual value, over the expected useful life of each appropriate category.

Computer equipment	33.3%
Other equipment, fixtures and fittings	20%
Building	2%

A full year's depreciation is provided for in the year of acquisition.

4. **Leased assets**
Rentals in respect of operating leases are charged to the profit and loss account as incurred.
5. **Retirement Benefits**
A defined benefit scheme is in place for all employees of the ESRI, as appropriate. The assets of the Institute's pension schemes were transferred to the National Pension Reserve Fund (NPRF) on the 30th June 2010 under the provisions of the Financial Measures (Miscellaneous Provisions) Act 2009. The scheme continues to operate for existing members with no change to benefits or associated provision for members

Pension scheme liabilities are measured on an actuarial basis in accordance with Financial Reporting Standard 17 (Retirement Benefits) and represent the present value of future pension benefits earned by staff. An equivalent asset representing the funding receivable to meet those pension obligations is recognised in the balance sheet.

6. **Capital Reserves**
Capital grants from the Department of Public Expenditure and Reform received towards the cost of tangible assets are transferred to Capital Reserves and amortised in line with depreciation on the associated assets.

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INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2013

	<i>Notes</i>	<i>2013</i>	<i>2012</i>
		€	€
INCOME			
Grant-in-Aid		2,700,000	2,700,000
Research Income	1	9,232,082	7,908,063
Miscellaneous Income	2	<u>191,654</u>	<u>167,035</u>
Total Income		<u>12,123,736</u>	<u>10,775,098</u>
EXPENDITURE			
Salaries	3	7,749,542	7,385,164
Direct Project Expenses	4	1,860,719	838,625
Establishment	5	754,949	749,039
Administration	6	<u>480,721</u>	<u>458,307</u>
		10,845,931	9,431,135
Excess of Income over Expenditure		1,277,805	1,343,963
Pension contribution to Dept of Finance	16	<u>(1,139,939)</u>	<u>(1,168,187)</u>
Surplus/(Deficit) for the Year		137,866	175,776

MOVEMENT IN ACCUMULATED FUND

Accumulated Fund at 1 January	325,906	110,130
Surplus/(Deficit) for the Year	137,866	175,776
Transfer from Capital reserve	<u>40,000</u>	<u>40,000</u>
Accumulated Fund at 31 December	503,772	325,906

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

Surplus/(Deficit) for the Year	137,866	175,776
Experience gains/(losses) on pension scheme liabilities	2,550,000	373,000
Change in pension liability assumptions	(1,836,000)	(7,274,000)
Adjustment to deferred exchequer pension funding	(714,000)	6,901,000
Total Gains and Losses recognised for the year	<u>137,866</u>	<u>175,776</u>

The statement of accounting policies and the attached notes numbered 1 to 21 form an integral part of these financial statements and should be read in conjunction therewith.

Council Member: Frances Ruane

Date: 4 Sept 2014

Council Member: Laurence Crowley

Date: 4 Sept 2014

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BALANCE SHEET AS AT 31 DECEMBER 2013

		Year Ended 31 December 2013 €	Year Ended 31 December 2012 €
	<i>Notes</i>		
FIXED ASSETS			
Tangible assets	7	<u>13,119,380</u>	<u>13,455,742</u>
CURRENT ASSETS			
Stock of stationery		2,098	5,411
Debtors and work-in-progress	8	2,013,056	1,508,382
Cash at bank and on hand	9	<u>3,361,296</u>	<u>3,007,270</u>
		<u>5,376,450</u>	<u>4,521,063</u>
CURRENT LIABILITIES			
Sundry creditors and accrued expenses	10	<u>4,319,479</u>	<u>3,517,672</u>
NET CURRENT ASSETS		1,056,971	1,003,391
TOTAL ASSETS less CURRENT LIABILITIES		14,176,351	14,459,133
Long Term Loans	11	11,912,579	12,333,227
Long Term Pension Liability	16	36,922,000	36,093,000
Less Deferred Pension Asset	16	(36,992,000)	(36,093,000)
NET ASSETS		<u>2,263,772</u>	<u>2,125,906</u>
RESERVES			
Accumulated Fund	18	503,772	325,906
Capital Reserve	18	<u>1,760,000</u>	<u>1,800,000</u>
		<u>2,263,772</u>	<u>2,125,906</u>

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Council Member: Frances Ruane

Date: 4 Sept 2014

Council Member: Laurence Crowley

Date: 4 Sept 2014

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CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

Reconciliation of operating surplus/(deficit) to net cash inflow/(outflow) from Operating Activities		
	2013	2012
	€	€
Surplus/(Deficit) for the year	137,866	175,776
Adjustment for FRS17 pension adjusting items		
Pension Cost	-	-
Contribution paid	-	-
Loan interest	125,188	214,076
Bank interest receivable	(10,246)	(733)
Bank interest payable	-	364
Depreciation charges	371,529	375,853
Decrease in stock	3,314	(2,067)
Increase in debtors	(504,674)	(85,709)
Increase in creditors	<u>801,807</u>	<u>382,971</u>
Net cash inflow	924,784	1,060,531

CASH FLOW STATEMENT

Net Cash Inflow from Operating Activities	924,784	1,060,531
Returns on Investments and Servicing of Finance		
Interest received	10,246	733
Interest paid	-	(364)
Loan interest paid	<u>(125,188)</u>	<u>(214,076)</u>
Loan Repayment	(420,648)	(568,274)
Disposal of Assets	-	-
Capital Expenditure	<u>(35,168)</u>	<u>(78,918)</u>
	354,026	199,632
Financing:		
Capital Grant	-	-
Increase in Cash	354,026	199,632
Reconciliation of net cash flow to movements in net funds		
Increase in cash in year	354,026	199,632
Net debt	(9,325,957)	(10,093,863)
Debt repayment	<u>420,648</u>	<u>568,274</u>
Net debt at 31 December 2013	(8,551,283)	(9,325,957)
Analysis of change in net debt		
At beginning of year	(9,325,957)	(10,093,863)
Cash Flows	354,026	199,632
Debt repayment	<u>420,648</u>	<u>568,274</u>
At end of year	(8,551,283)	(9,325,957)

The statement of accounting policies and the attached notes numbered 1 to 21 form an integral part of these financial statements and should be read in conjunction therewith.

Council Member: Frances Ruane

Date: 4 Sept 2014

Council Member: Laurence Crowley

Date: 4 Sept 2014

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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR
THE YEAR ENDED 31 DECEMBER 2013**

1. Research Income

	<i>2013</i>	<i>2012</i>
	€	€
Commissioned Research	2,230,952	1,785,800
Research Grants	1,378,720	1,508,223
Hospital In-Patient Enquiry Scheme	2,970,920	2,873,640
Growing up in Ireland survey	<u>2,651,490</u>	<u>1,740,400</u>
	<u>9,232,082</u>	<u>7,908,063</u>

2. Miscellaneous Income

	<i>2013</i>	<i>2012</i>
	€	€
Members' subscriptions	39,512	48,582
Sale of publications	17,704	17,285
Miscellaneous income	<u>134,438</u>	<u>101,168</u>
	<u>191,654</u>	<u>167,035</u>

Miscellaneous income includes fees of €24,946 (2012 €15,633) paid to the ESRI in respect of services provided by the Director as a board member to public bodies.

3. Staff Wages and Salaries

3.1 The number of persons employed (full-time equivalents) in the financial year was 109 (2012:109). Total includes 92 (2012:92) permanent staff (full-time equivalents). This does not include staff employed on short term contracts for interviewing.

3.2 The salaries and pension costs were incurred as follows:

	<i>2013</i>	<i>2012</i>
	€	€
Economic and Social Research Divisions	3,458,441	3,505,350
Child Cohort	611,324	601,348
Hospital-In-Patient Enquiry (HIPE)/ National Perinatal Reporting System (NPRS)	1,504,349	1,432,151
Administration	1,001,307	1,024,507
Employers PRSI	644,824	639,536
Pension Costs (Note 16)	66,540	91,626
Other Fees and Permanent Health Insurance Costs	110,237	90,646
Redundancy Costs	<u>352,520</u>	<u>-----</u>
	<u>7,749,542</u>	<u>7,385,164</u>

3.3 €469,704 of pension related deductions (PRD) has been paid over to the Department of Finance (2012: €477,916)

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3.4 The charge to salaries includes costs of €1,476 (2012: €1,452) incurred in respect of the production of the Economic and Social Review. (See Note 14)

3.5 Director's Remuneration

	2013	2012
	€	€
Salary	169,422	175,572
Superannuation Provision	42,356	43,893
Income Continuance Provision	<u>1,694</u>	<u>1,756</u>
	<u>213,472</u>	<u>221,221</u>

Pension entitlements do not exceed the standard entitlements provided in the model public sector defined benefit superannuation scheme.

The Director's travel and subsistence expenses were €2,113.82 in 2013. There was no bonus or perquisites paid to the Director in 2013.

3.6 Board Fees and Expenses

The members of the ESRI Board do not receive fees. Board members do not travel on official business as members of the Institute. They are entitled to claim travel and subsistence for their attendance at board meetings. Expenses incurred by the Board members in 2013 amounted to €1,027.56.

4. Direct Project Expenses

	2013	2012
	€	€
Consultants and Network Partners	40,215	70,133
Field Staff Fees	1,269,201	153,631
Other Direct Costs	407,479	488,398
Travel	<u>143,824</u>	<u>126,463</u>
	<u>1,860,719</u>	<u>838,625</u>

5. Establishment Costs

	2013	2012
	€	€
Rent & Rates	348	2,487
Interest Costs	125,188	214,076
Heat, light, maintenance and cleaning	257,884	156,626
Depreciation	<u>371,529</u>	<u>375,850</u>
	<u>754,949</u>	<u>749,039</u>

6. Administration

	2013	2012
	€	€
Printing and Stationery	68,755	56,310
Postage, insurance, telephone and general expenses ¹	176,748	166,034
Computer Costs (including licence fees)	117,903	125,067
Travel	16,870	9,176
Library books and subscriptions	21,818	29,138
Professional Fees	63,427	58,300
Audit Fees	<u>15,200</u>	<u>14,282</u>
	<u>480,721</u>	<u>458,307</u>

¹ €5,339 (2012 €5,355) relates to a contribution to the employees sport and social club activities

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7. Tangible Assets

	<i>Computer equipment</i> €	<i>Equipment, fixtures and fittings</i> €	<i>Building</i> €	<i>Total</i> €
Cost:				
At beginning of year	766,314	589,963	15,545,157	16,901,434
Additions	33,148	2,020	-	35,168
Disposals	(4,797)	-	-	(4,797)
	-----	-----	-----	-----
At end of year	794,665	591,983	15,545,157	16,931,805
Accumulated Depreciation:				
At beginning of year	692,887	576,390	2,176,415	3,445,692
Provided in year	54,026	6,600	310,903	371,529
Disposals	(4,796)	-	-	(4,796)
	-----	-----	-----	-----
At end of year	742,117	582,990	2,487,318	3,812,425
Net book value at end of year	<u>52,548</u>	<u>8,993</u>	<u>13,057,839</u>	<u>13,119,380</u>
Net book value at beginning of year	73,427	13,573	13,368,742	13,455,742

8. Debtors and Work-in-Progress

	2013 €	2012 €
Revenue from projects	783,376	225,786
Work-in-progress	752,899	1,018,773
Other debtors and prepaid expenses	<u>476,781</u>	<u>263,823</u>
	2,013,056	1,508,382

9. Bank and Cash

	2013 €	2012 €
Bank Accounts	3,359,701	3,006,113
Cash	<u>1,595</u>	<u>1,157</u>
	3,361,296	3,007,270

Bank and cash include €2,574,497 (2012 €2,022,985) received by way of advance payments for work to be completed.

10. Creditors and Accrued Expenses

	2013 €	2012 €
Payroll Taxes	479,415	237,013
Value Added Tax	527,693	490,892
Deferred Income	2,576,683	2,024,989
Trade Creditors	40,112	86,185
Accrued Expenses	394,733	614,309
Other Creditors	<u>300,843</u>	<u>64,284</u>
	4,319,479	3,517,672

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11. Long Term Loans

	2013	2012
	€	€
Economic and Social Research Trust	1,800,000	1,800,000
Permanent tsb mortgage:		
Due in one year	356,689	421,488
Due after one year	<u>9,755,890</u>	<u>10,111,739</u>
	11,912,579	12,333,227

Permanent tsb have first legal charge over the property at Whitaker Square, Sir John Rogerson's Quay, Dublin 2.

12. Taxation

The company is exempted from liability to corporation tax under Section 227 Schedule 4 of the Taxes Consolidation Act 1997.

13. Commitments – Capital and Others

The Institute had no capital or other commitments at the balance sheet date.

14. Related Company

At 31 December 2013 the following related undertakings were in existence.

- (a) Economic and Social Research Trust:
The Trust was established in 1992 as a company limited by guarantee by the ESRI (which nominates its membership) to assist by way of funding The Economic and Social Research Institute in the promotion of research. In 2006 the Trust granted a loan of €1,800,000 to the ESRI. At 31 December 2013 the company had net assets of €1,807,736 (2012: €1,809,537).
- (b) Economic and Social Studies:
This is an associated company established in 1969 at the initiative of the ESRI to foster and promote the education of the Irish public in the social and economic sciences with particular reference to economic and social conditions in or affecting Ireland. The ESRI provides administration services to Economic and Social Studies.

15. Contingent Liabilities and Other Matter

The Council Members were not aware of any material contingent liabilities at the balance sheet date.

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16. Pensions

(a) Pension Liability and Asset

As outlined in Accounting Policy (5) above, the assets of the Institute's pension schemes were transferred to the National Pension Reserve Fund (NPRF) on the 30th June 2010 in accordance with the provisions of the *Financial Measures (Miscellaneous Provisions) Act 2009*.

Following the transfer of scheme assets the Institute is required to pay the Department of Finance an annual pension contribution after taking account of pension benefits paid by the Institute. The Act enables the Minister for Finance to make good any deficiency in the relevant pension scheme if contributions paid by members and employer are insufficient to meet the obligations of that scheme.

The Institute has adapted the treatment and disclosures required by the accounting standard Financial Reporting Standard 17 (Retirement Benefits) to reflect the arrangements in operation. While the funding arrangement operates on a net pay over basis with the Department, the Institute believes the nature of the arrangement is akin to a full reimbursement of the pension liability when those liabilities fall due for payment and therefore recognise its right to the reimbursement to a separate asset in an amount equal to the liability at the year-end

The FRS 17 pension liability at 31 December 2013 is €36,992,000 (2012: €36,093,000) based on an actuarial valuation of the pension liabilities in respect of Institute staff as at 31 December 2013 carried out by a qualified independent actuary for the purpose of FRS 17. A deferred funding asset of €36,992,000 equal to the liability at 31 December 2013 is recognised as a separate asset on the balance sheet.

Movement in Pension Liability	2013	2012
	€	€
Present Value of Scheme Obligations at beginning of year	36,093,000	27,929,000
Current Service Cost	1,147,000	874,000
Interest Cost	1,517,000	1,447,000
Actuarial (Gain)/Loss	(714,000)	6,901,000
Benefits Paid	(1,051,000)	(1,058,000)
Premiums Paid	-	-
Present Value of Scheme Obligations at end of year	<u>36,992,000</u>	<u>36,093,000</u>

The net effect on the Income and Expenditure of the above is nil.

(b) Pension Costs

The pension costs of the year as measured under FRS 17 amounted to €2,664,000. These are offset by a corresponding amount of funding receivable. The net impact on the Income and Expenditure Account is as set out below.

	2013	2012
	€	€
Current Service Cost	1,147,000	874,000
Interest	1,517,000	1,447,000
Deferred pension income	(2,664,000)	(2,321,000)
Pension payments not offset	<u>66,540</u>	<u>91,626</u>
Net Pension Cost	66,540	91,626

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The Institute made payments of €66,540 to individual defined benefit plans (pre 1974 employees) from its own resources which are not offset against the amount payable under the *Financial Measures (Miscellaneous Provisions) Act 2009*.

(c) Contributions Paid to the Department of Finance

The Institute made a contribution of €1,139,939 (2012: €1,168,187) to the Department of Finance before taking account of pension benefits amounting to €989,751 (2012: €966,381) paid in the year. In addition contributions of €424,757 (2012: €396,989) made by employees were also paid over.

(d) Description of Scheme and Actuarial Assumptions

Pension benefits are conferred by the ESRI under two pension schemes:

- Supervisors, Clerical and Other Administrative Staff
- Research Staff Scheme

Both schemes are defined benefit schemes. Employer and employee contributions are paid to the Department of Finance. Pensions of both schemes are subject to the pension reduction provisions of the *Financial Emergency Measures in the Public Interest (No.2) Act 2010*.

Financial Assumptions

The financial assumptions used to calculate scheme liabilities under FRS17 are:

	2013	2012
Discount Rate	4.00%	4.20%
Salary Increase Assumption	2.50%	2.50%
Inflation	2.00%	2.00%

Pension Increases

Clerical Scheme	2.00%	2.25%
Research Staff Scheme	2.50%	3.00%

Mortality Assumptions

The numbers in the scheme and the number of deaths have been too small to analyse and produce any meaningful scheme-specific estimates of future levels of mortality. Accordingly standard tables have been used. The key mortality assumption used in estimating the actuarial value of the schemes liabilities are:

	2013	2012
Male member age 65 (current life expectancy)	23.5	23.3
Female member age 65 (current life expectancy)	24.9	24.7
Male member age 40 (life expectancy at aged 65)	26.5	26.4
Female member age 40 (life expectancy at age 65)	27.5	27.4

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e) Funding of pensions

The Institute expects to pay €1,149,000 to the Department of Finance in respect of superannuation costs in 2014.

17. Irish Fiscal Advisory Council

The Irish Fiscal Advisory Council is an independent body established in June 2011 by the Irish Government. It assesses the appropriateness of the Government's macroeconomic projections, budgetary projections and fiscal stance. The Council will also examine the extent of compliance with legislated fiscal rules. The Fiscal Responsibility Act 2012 passed in December 2012 established the Council as a statutory body with effect from 1st January 2013. The Institute continues to provide administrative support to the Council.

An amount of €213,934 is included in the financial statements in Debtors representing amounts paid by the ESRI on behalf of IFAC during 2013.

18. Reserves

	Accumulated Fund	Capital Reserve	Total Reserves
Balance as at 1 st January 2013	325,906	1,800,000	2,125,906
Surplus for the Year	137,866		137,866
Transfer from Capital Reserve	<u>40,000</u>	<u>(40,000)</u>	<u>-</u>
Balance as at 31 st December 2013	503,772	1,760,000	2,263,772

The capital reserve represents a capital grant received from the Department of Finance in 2008 to assist with the new building. This was transferred to capital reserve and is being amortised in line with depreciation on the building.

19. Board Members' Interests

The Board adopted procedures in accordance with the guidelines issued by the Department of Finance in relation to the disclosure of interests by Board Members and these procedures have been adhered to in the year. There were no transactions in the year in relation to the Board's activities in which the Board Members had an interest.

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20. Going Concern

After making enquires and on the basis that grant-in-aid continues at the appropriate level, the Directors consider that the Institute has adequate resources to continue operating for the foreseeable future. For this reason they have continued to use the going concern basis in preparing the accounts.

21. Approval of Financial Statements

The Financial Statements were approved by the Council on the 20 May 2014