

THE ECONOMIC AND SOCIAL RESEARCH INSTITUTE

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

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 2018**

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THE ECONOMIC AND SOCIAL RESEARCH INSTITUTE

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

COUNCIL MEMBERS AND OTHER INFORMATION

COUNCIL MEMBERS As at 31st December 2018

| | |
|---|------------------------------------|
| Padraig McManus (President and Chairperson) | |
| Alan Barrett | Ronan Murphy* |
| John Buckley* | Sean O'Driscoll |
| Padraig Dalton | Rowena Pecchenino* |
| Emer Gilvarry | Pat Rabbitte |
| John Martin* | Orlaigh Quinn (appointed May 2018) |
| David Moloney | Sally Shortall |

Council Members are the Directors of the ESRI.

*Audit Committee Members

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

AUDITORS The Comptroller and Auditor General
3A Mayor Street Upper
Dublin 1

BANKERS Bank of Ireland
Lower Baggot Street
Dublin 2

Havbell
2 Grand Canal Square
Grand Canal Harbour
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 ESRI is a not for profit organisation and registered as a charity under registration number CHY5335

THE ECONOMIC AND SOCIAL RESEARCH INSTITUTE

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COUNCIL MEMBERS' REPORT 2018

The Council members present their report and the financial statements for the year ended 31 December 2018.

Principal activities

The Economic and Social Research Institute (ESRI) undertakes research designed to provide knowledge relevant to solving the major economic and social issues in Ireland.

Legal Status

The ESRI is a company limited by guarantee, incorporated in 1960 under the Companies Acts 1908-1959 and registered in Ireland under registration number 18269. The registered office is Whitaker Square, Sir John Rogerson's Quay, Dublin 2.

While the ESRI is a limited liability company it is exempted from the obligation to use the word "limited" as part of its name. It is a not for profit organisation and registered as a charity under registration number CHY5335

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. In the opinion of the Council members there is no relevant audit information of which the company's auditors are unaware.

State of Affairs and Events since the Reporting Date

In the opinion of the Council members, the state of the company's affairs is satisfactory and there had been no material change since the balance sheet date.

Governance

The ESRI enjoys full academic independence and is answerable ultimately to its subscribing members, currently over 300 companies and individuals. The Council is the effective board of directors of the Institute. Council meetings are attended by the Company Secretary and two representatives of the Management Committee in a non-voting capacity. Apart from the Director of the Institute, who is an ex-officio member, ESRI Council members are not remunerated.

The regular day-to-day management, control and direction of the ESRI are the responsibility of the Director and the senior management team. The Director and the senior management team must follow the broad strategic direction set by the Council, and must ensure that all Council members have a clear understanding of the key activities and decisions related to the entity, and of any significant risks to arise. The Director acts as a direct liaison between the Council and management of the ESRI.

The ESRI is subject to the rules that apply to state organisations in relation to prompt payments, disclosure, risk management and tax clearance. The ESRI also comes under the remits of the Office of the Ombudsman and the Ombudsman for Children.

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Council Responsibilities

The role and responsibilities of the Council are set out in the ESRI's Articles of Association.

The following key matters are reserved for Council decision

- Approval of the organisations long-term objectives and operational strategy.
- Approval of significant acquisitions and investments.
- Approval of major contracts.
- Approval of the annual operating and capital expenditure budgets.
- Approval of the Annual Report and Financial statements.
- Appointment and remuneration of the Director.

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 adequate 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 Act 2014. 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.

The Council is responsible for approving the annual plan. An evaluation of the performance of ESRI by reference to the annual plan was carried out on 26 February 2019.

To ensure that adequate accounting records are kept in accordance with Sections 281 to 285 of the Companies Act 2014, the company has employed appropriately qualified personnel and has maintained appropriate computerised accounting systems. The accounting records are located at the company's registered office at Whitaker Square, Sir John Rogersons Quay, Dublin 2.

The Council considers that the financial statements of the ESRI give a true and fair view of the financial performance and the financial position of the ESRI at 31 December 2018.

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Council Structure

The Council currently consists of a Chairperson and twelve other members. Members of the Council appointed since 2015 are appointed for an initial period of 3 years. The Council met 3 times in 2018. The table below details the appointment period for current members:

| Council Member | Role | Date Appointed |
|-----------------------------|-------------|----------------|
| Mr Pdraig McManus | Chairperson | 11/07/2012 |
| Mr David Moloney | Member | 23/11/2010 |
| Mr John Buckley | Member | 19/02/2013 |
| Ms Emer Gilvarry | Member | 18/02/2014 |
| Mr John Martin | Member | 24/02/2015 |
| Mr Pdraig Dalton | Member | 24/02/2015 |
| Professor Sally Shortall | Member | 26/05/2015 |
| Professor Alan Barrett | Member | 01/07/2015 |
| Mr Ronan Murphy | Member | 28/02/2017 |
| Mr Sean O'Driscoll | Member | 28/02/2017 |
| Professor Rowena Pecchenino | Member | 28/02/2017 |
| Mr Pat Rabbitte | Member | 28/02/2017 |
| Dr Orlaigh Quinn | Member | 22/05/2018 |

Note: Mr Alan Barrett is the current Director of the ESRI and sits on the Council for the duration of his term as Director.

The Council has established three committees, as follows:

- 1- Audit and Risk Committee:** comprises four Council members. The role of the Audit and Risk Committee (ARC) is to support the Council in relation to its responsibilities for issues of risk, control and governance and associated assurance. The ARC is independent from the financial management of the organisation. In particular, the Committee ensures the internal control systems including audit activities are monitored actively and independently. The ARC reports to the Council after each meeting.
The members of the Audit and Risk Committee are: Mr John Buckley (Chairperson), Mr John Martin, Professor Rowena Pecchenino and Mr Ronan Murphy. Professor Alan Barrett attends the ARC in his capacity as Director of the Institute. There were three meetings of the ARC in 2018. The Chairperson of the Council is satisfied that the ARC discharged its role with fewer than four meetings in the year.
- 2- Business and Operations Committee:** comprises four Council Members. The members of this committee are: Ms Emer Gilvarry (Chairperson), Mr Sean O'Driscoll Mr Pat Rabbitte and Mr Alan Barrett. There were four meetings of this committee in 2018. Professor Hannah McGee and Ms Brid O'Brien also served on this committee until May 2018.
- 3- Nominations committee:** comprises three Council Members. The members of this committee are: Mr Pdraig McManus (Chairperson), Professor Alan Barrett and Ms Emer Gilvarry. There were no meetings of this Committee in 2018.

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Schedule of Attendance, Fees and Expenses

A schedule of attendance at the Council and Committee meetings for 2018 is set out below:

| | Council | Audit and Risk Committee | Business and Operations Committee | Fees | Expenses |
|--------------------|---------|--------------------------|-----------------------------------|------|----------|
| Number of Meetings | 3 | 3 | 4 | | |
| Attendance | | | | | |
| Alan Barrett | 3 | 3 | 4 | - | - |
| John Buckley | 3 | 3 | | - | - |
| Padraig Dalton | 0 | | | - | - |
| Emer Gilvarry | 3 | | 4 | - | - |
| John Martin | 2 | 3 | | - | €1364 |
| Hannah McGee | 1 | | 1 | - | - |
| Padraig McManus | 3 | | | - | - |
| David Maloney | 2 | | | - | - |
| Ronan Murphy | 3 | 2 | | - | - |
| Brid O'Brien | 1 | | 2 | - | - |
| Sean O'Driscoll | 2 | | 3 | - | - |
| Rowena Pecchenino | 2 | 3 | | - | €124 |
| Orlaigh Quinn | 3 | | | | |
| Pat Rabbitte | 3 | | 4 | - | - |
| Sally Shortall | 2 | | | - | €760 |

Council Members do not receive a fee. Internationally based Members are repaid expenses incurred in attending Council and other Committee meetings.

Key Personnel Changes

Dr Orlaigh Quinn was appointed to the Council on 22 May 2018.

Prof Hannah Magee and Ms Brid O'Brien resigned from the Council on 22 May 2018 on completion of their term of appointment.

Disclosures required by the Code of Practice for the Governance of State bodies (2016)

The Council is responsible for ensuring that the ESRI has complied with the requirements of the Code of Practice for the Governance of State Bodies ("the code") as published by the Department of Public Expenditure and Reform in August 2016. The following disclosures are required by the Code:

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Employee short-term benefits breakdown

| Range of total employee benefits | | Number of Employees | |
|----------------------------------|----------|---------------------|------|
| From | To | 2018 | 2017 |
| €60,000 | €69,999 | 3 | 11 |
| €70,000 | €79,999 | 4 | 3 |
| €80,000 | €89,999 | 6 | 7 |
| €90,000 | €99,999 | 6 | 5 |
| €100,000 | €109,999 | 4 | 7 |
| €110,000 | €119,999 | 7 | - |
| €120,000 | €129,999 | 1 | 2 |
| €130,000 | €139,999 | 2 | - |
| €140,000 | €149,999 | - | 3 |
| €150,000 | €159,999 | 1 | - |
| €160,000 | €169,999 | - | 1 |
| €170,000 | €179,999 | 1 | - |

Note: For the purposes of this disclosure, short-term employee benefits in relation to services rendered during the reporting period include salary, overtime allowances and other payments made on behalf of the employee, but exclude employer's PRSI.

Consultancy Costs

Consultancy costs include the cost of external advice to management and exclude outsourced "business-as-usual" functions.

| | 2018 | 2017 |
|----------------|---------------|---------------|
| | € | € |
| Legal | 20,461 | 3,491 |
| Financial | 30,288 | 10,300 |
| HR and Pension | 12,060 | 17,251 |
| Other | 29,809 | 23,151 |
| Total | 92,618 | 54,193 |

Legal Costs and Settlements

There were no costs in relation to settlements in the period. Legal costs of €20,461 (2017: €3,491) were incurred in 2018.

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Travel and Subsistence Expenditure

Travel and subsistence expenditure is categorised as follows:

| | 2018 | 2017 |
|----------------------|----------------|----------------|
| | € | € |
| Domestic | | |
| Council | 372 | 115 |
| Employees | 11,559 | 18,123 |
| International | | |
| Council | 1,875 | 2,189 |
| Employees | 91,190 | 132,052 |
| Total | 104,996 | 152,479 |

Hospitality Expenditure

The Income and expenditure account includes the following expenditure:

| | 2018 | 2017 |
|---|--------------|--------------|
| | € | € |
| Staff Sports & Social fund /Hospitality | 9,675 | 9,165 |
| Client Hospitality | 225 | 804 |
| Total | 9,900 | 9,969 |

Statement of Compliance

The ESRI has complied with the requirements of the Code of Practice for the Governance of State Bodies, as published by the Department of Public Expenditure and Reform in August 2016, with the following exceptions:

The Procedures for the Identification and Selection of Board Members

The ESRI Council members are elected by the members of the Institute as set out in the Articles of Association and not appointed through the Public Appointments Service process.

Information and Communications Technology Expenditure

The ESRI has been granted a derogation from Circular 02/2016 *Arrangements for Digital and ICT-related Expenditure in the Civil and Public Service* as it could impose an unwarranted business burden on the ESRI.

Signed on behalf of the Council

Padraig McManus
Chairperson of the Council

Date: 5 July 2019

THE ECONOMIC AND SOCIAL RESEARCH INSTITUTE

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STATEMENT ON INTERNAL CONTROL

Scope of 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 control is maintained and operated. This responsibility takes account of the requirements of the Code of Practice for the Governance of State Bodies.

Purpose of the System of Internal control

The system of internal control is designed manage risk to a tolerable level rather than to eliminate it. The system can therefore 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.

The system of internal control, which accords with guidance issued by the Department of Public Expenditure and Reform, has been in place in the ESRI for the year ended 31 December 2018 and up to the date of approval of the financial statements except for the internal control issue outlined below.

Capacity to Handle Risks

The ESRI has an Audit and Risk Committee (ARC) comprising four Council members with financial and audit expertise, one of whom is the Chair. The ARC met three times in 2018.

The ESRI has outsourced the internal audit function, which operates in accordance with a charter that takes account of the guidance set out in the Code of Practice for the Governance of State Bodies 2016. The work programme of the internal audit is informed by analysis of the risk to which the Institute is exposed. The analysis of risk and the internal audit plans are endorsed by the Audit Committee and approved by the Council.

The ARC has developed a risk management policy which sets out its risk appetite, the risk management processes in place and details the roles and responsibilities of staff in relation to risk. The policy has been issued to all staff who are expected to work within the ESRI's risk management policies, to alert management on emerging risks and control weaknesses and assume responsibility for risks and controls within their own area of work.

Risk and control Framework

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

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

The system of internal 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;
- systems to safeguard the assets.

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Ongoing monitoring and Review

Formal procedures have been established for monitoring control processes and control deficiencies are communicated to those responsible for taking corrective action and to the management and the Council, where relevant, in a timely way. 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 sufficiency and operation of internal control to mitigate and/or manage risks.

I confirm that the following ongoing monitoring systems are in place:

- 1- key risks and related controls have been identified and processes have been put in place to monitor the operation of those key controls and report any identified deficiencies,
- 2- reporting arrangements have been established at all levels where responsibility for financial management has been assigned, and
- 3- there are regular reviews by senior management of periodic and annual performance and financial reports which indicate performance against budgets/forecasts.

Procurement

I confirm that the ESRI has procedures in place to ensure compliance with current procurement rules and guidelines. Matters arising regarding controls over procurement are highlighted under control issues below.

Review of Effectiveness

The Council's monitoring and review of the effectiveness of the system of internal 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 Institute who have responsibility for the development and maintenance of the financial control framework, and comments made by the Office of the Comptroller and Auditor General in management letters or other reports.

The Institute continues to develop its system of internal control through the refining of business continuity procedures and the ongoing development of the risk management framework.

I confirm that for the year ended 31 December 2018 the Council has conducted a review of the effectiveness of the system of internal control. The review was finalised by the Audit and Risk Committee on 13 February 2019 and considered by the Council on 26 February 2019.

Internal Control Issues

Procurement

Certain survey services were not tendered for in the period under review. An amount of €95,830 was paid to Amarach in respect of survey services for a specific project. As the funding for this project was uncertain due to the withdrawal of the main funder, it was not feasible to operate a tender process as planned in 2018. The project came to a completion in April 2019.

Signed on behalf of the Council

Padraig McManus
Chairperson of the Council

Date: 5 July 2019



Ard Reachtaire Cuntas agus Ciste **Comptroller and Auditor General**

Report for presentation to the Houses of the Oireachtas

Economic and Social Research Institute

Opinion on financial statements

I have audited the financial statements of the Economic and Social Research Institute (a company limited by guarantee and not having a share capital) for the year ending 31 December 2018 as required under the provisions of section 5 of the Comptroller and Auditor General (Amendment) Act 1993. The financial statements comprise the statement of income and expenditure and retained revenue reserves, the statement of comprehensive income, the statement of financial position, the statement of cash flows and the related notes, including a summary of significant accounting policies.

In my opinion the financial statements

- give a true and fair view of the assets, liabilities and financial position of the Economic and Social Research Institute at 31 December 2018 and of its income and expenditure for 2018
- have been properly prepared in accordance with Financial Reporting Standard (FRS) 102- *The Financial Reporting Standard applicable in the UK and the Republic of Ireland*, and
- have been properly prepared in accordance with the Companies Act 2014.

Basis of opinion

I conducted my audit of the financial statements in accordance with the International Standards on Auditing (ISAs) as promulgated by the International Organisation of Supreme Audit Institutions. My responsibilities under those standards are described in the appendix to this report. I am independent of the company and have fulfilled my other ethical responsibilities in accordance with the standards.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions related to going concern

The Council members have prepared the financial statements on a going concern basis. As described in the appendix to this report, I conclude on

- the appropriateness of the use of the going concern basis of accounting by the directors and
- whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern.

I have nothing to report in that regard.

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Opinion on matters prescribed by the Companies Act 2014

Based solely on the work undertaken in the course of the audit, I report that in my opinion

- the information given in the directors' report is consistent with the financial statements, and
- the directors' report has been prepared in accordance with the Companies Act 2014

I have obtained all the information and explanations that I consider necessary for the purposes of my audit.

In my opinion, the accounting records of the Economic and Social research Institute were sufficient to permit the financial statements to be readily and properly audited, and the financial statements are in agreement with the accounting records.

The Companies Act 2014 also requires me to report if, in my opinion, the disclosures of Council members' remuneration and transactions required by sections 305 to 312 of the Act are not made. I have nothing to report in that regard.

Report on Information other than the financial statements, and on other matters

The Council members have presented a report and a statement on internal control with the financial statements. My responsibilities to report in relation to such information, and on certain other matters upon which I report by exception, are described in the appendix to this report.

I have nothing to report in that regard.

Seamus McCarthy
Comptroller and Auditor General

10 July 2019

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Appendix to the report

Responsibilities of the Directors

The Council members' report sets out the directors' responsibilities. The directors are responsible for

- the preparation of financial statements in the form prescribed under the Companies Act 2014
- ensuring that the financial statements give a true and fair view in accordance with FRS 102
- ensuring the regularity of transactions
- assessing whether the use of the going concern basis of accounting is appropriate, and
- such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Responsibilities of the Comptroller and Auditor General

I am required under section 5 of the Comptroller and Auditor General (Amendment) Act 1993 to audit the financial statements of the Economic and Social Research Institute and to report thereon to the Houses of the Oireachtas.

My objective in carrying out the audit is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement due to fraud or error. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout the audit. In doing so,

- I identify and assess the risks of material misstatement of the financial statements whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- I obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate on the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls

- I evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures.
- I conclude on the appropriateness of the use of the going concern basis of accounting and, based on the audit evidence obtained, on whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Economic and Social Research Institute's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my report to the related disclosures in the financial statements or, if such disclosures are inadequate to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my report. However, future events or conditions may cause the company to cease being a going concern
- I evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Information other than the financial statements.

My opinion on the financial statements does not cover the other information presented with those statements, and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, I am required under the ISAs to read the other information presented and, in doing so, consider whether the other information is materially inconsistent with the financial statements or with knowledge obtained during the audit, or if it otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

Reporting on other matters

My audit is conducted by reference to the special considerations which attach to State bodies in relation to their management and operation. I report if there are material matters relating to the manner in which public business has been conducted.

I seek to obtain evidence about the regularity of financial transactions in the course of the audit. I report if there is any material instance where public money had not been applied for the purposes intended or where transactions did not conform to the authorities governing them.

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STATEMENT OF INCOME AND EXPENDITURE AND RETAINED REVENUE RESERVES FOR THE YEAR ENDED 31 DECEMBER 2018

| | <i>Notes</i> | <i>2018</i> | <i>2017</i> |
|---|--------------|-------------------|-------------------|
| | | € | € |
| Income | | | |
| Oireachtas Grant -Department of Public Expenditure and Reform. Vote 11 Subhead A3 | | 2,775,000 | 2,675,000 |
| Research Income | 2 | 8,335,658 | 8,526,321 |
| Miscellaneous Income | 3 | <u>238,765</u> | <u>334,240</u> |
| Total Income | | <u>11,349,423</u> | <u>11,535,561</u> |
| Expenditure | | | |
| Salaries | 4 | 7,555,716 | 6,818,816 |
| Retirement Benefit Costs | 17 | 773,417 | 805,974 |
| Direct Project Expenses | 5 | 1,479,053 | 2,456,537 |
| Establishment | 6 | 770,257 | 732,534 |
| Administration | 7 | <u>623,740</u> | <u>527,517</u> |
| Total Expenditure | | <u>11,202,183</u> | <u>11,341,378</u> |
| Surplus for the Year before Appropriations/Transfers | | 147,240 | 194,183 |
| Transfer from Capital Reserve | | | |
| Surplus/(Deficit) for the Year after Appropriations /Transfers | 19 | <u>85,000</u> | <u>85,000</u> |
| | | 232,240 | 279,183 |
| Balance Brought Forward at 1 January | | | |
| | 19 | <u>892,303</u> | <u>613,120</u> |
| Balance Carried Forward at 31 December | 19 | <u>1,124,543</u> | <u>892,303</u> |

The Statement of Cash Flows and notes numbered 1 to 22 form an integral part of these financial statements and should be read in conjunction therewith.

Padraig McManus
Council Member:

Date: 5 July 2019

Alan Barrett
Council Member:

Date: 5 July 2019

THE ECONOMIC AND SOCIAL RESEARCH INSTITUTE

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STATEMENT OF COMPREHENSIVE INCOME

| | 2018 | 2017 |
|---|--------------------|------------------|
| | € | € |
| Surplus/(Deficit) for the Year after Appropriations/Transfers | 232,240 | 279,183 |
| Experience gains/(losses) on pension scheme liabilities | (1,761,000) | 911,000 |
| Change in pension liability assumptions | <u>(1,689,000)</u> | <u>(782,000)</u> |
| Total actuarial gain/(loss) in the year | (3,450,000) | 129,000 |
| Adjustment to deferred exchequer pension funding | 3,450,000 | (129,000) |
| Total Gains/(Losses) recognised for the year | <u>232,240</u> | <u>279,183</u> |

The Statement of Cash Flows and notes numbered 1 to 22 form an integral part of these financial statements and should be read in conjunction therewith.

Padraig McManus
Council Member:

Date: 5 July 2019

Alan Barrett
Council Member:

Date: 5 July 2019

THE ECONOMIC AND SOCIAL RESEARCH INSTITUTE

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STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

| | Notes | as at 31 December 2018 € | as at 31 December 2017 € |
|---|-------|-----------------------------------|-----------------------------------|
| FIXED ASSETS | | | |
| Property Plant and Equipment | 8 | <u>11,727,827</u> | <u>11,980,843</u> |
| CURRENT ASSETS | | | |
| Inventory | | 3,352 | 2,661 |
| Receivables | 9 | 1,959,929 | 1,934,081 |
| Cash and cash equivalents | 10 | <u>947,672</u> | <u>2,523,424</u> |
| | | <u>2,910,953</u> | <u>4,460,166</u> |
| CURRENT LIABILITIES | | | |
| Payables (Amounts falling due within one year) | 11 | <u>2,628,928</u> | <u>4,143,594</u> |
| NET CURRENT ASSETS | | 282,025 | 316,572 |
| TOTAL ASSETS less CURRENT LIABILITIES | | <u>12,009,852</u> | <u>12,297,415</u> |
| Long Term Loans (Amounts falling due after one year) | 12 | 7,660,309 | 8,095,112 |
| Long Term Pension Liability Less Deferred Pension Asset | 17 | (55,997,000) | (54,913,000) |
| | 17 | 55,997,000 | 54,913,000 |
| NET ASSETS | | <u>4,349,543</u> | <u>4,202,303</u> |
| Representing | | | |
| Retained Revenue Reserves | 19 | 1,124,543 | 892,303 |
| Capital Reserve | 19 | <u>3,225,000</u> | <u>3,310,000</u> |
| | | <u>4,349,543</u> | <u>4,202,303</u> |

The Statement of Cash Flows and notes numbered 1 to 22 form an integral part of these financial statements and should be read in conjunction therewith.

Padraig McManus
Council Member:

Date: 5 July 2019

Alan Barrett
Council Member:

Date: 5 July 2019

THE ECONOMIC AND SOCIAL RESEARCH INSTITUTE

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STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2018

| | 2018 | 2017 |
|---|------------------|------------------|
| | € | € |
| Net Cash Flows from Operating Activities | | |
| Excess Income over Expenditure | 147,240 | 194,183 |
| Depreciation and Impairment of Property, Plant and Equipment | 416,485 | 389,115 |
| (Increase)/Decrease in Receivables | (25,848) | (147,324) |
| Increase/(Decrease) in Payables | (1,514,666) | 1,614,975 |
| (Increase)/Decrease in Inventory | (691) | 649 |
| Interest payment on mortgage in year | 56,083 | 58,552 |
| Bank Interest Received | <u>0</u> | <u>(189)</u> |
| Net cash inflow/(outflow) from Operating Activities | (921,397) | 2,109,961 |
| Cash Flows from Investing Activities | | |
| Payments to acquire Property, Plant and Equipment | <u>(163,469)</u> | <u>(157,108)</u> |
| Net Cash Flows from Investing Activities | (163,469) | (157,108) |
| Cash Flows from Financing Activities | | |
| Mortgage repayments in year | (434,803) | (396,186) |
| Interest payment on mortgage in year | (56,083) | (58,552) |
| Bank Interest Received | <u>-</u> | <u>189</u> |
| Net Cash Flows from Financing Activities | (490,886) | (454,549) |
| Net Increase/(Decrease) in cash and cash equivalents | (1,575,752) | 1,498,304 |
| Cash and cash equivalents at 1 January | <u>2,523,424</u> | <u>1,025,120</u> |
| Cash and cash equivalents at 31 December | 947,672 | 2,523,424 |

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. Accounting Policies

The principal accounting policies adopted by the Institute in determining the amounts included in the Statement of Financial Position and in determining the results for the year are as follows. They have all been applied consistently throughout the year and for the preceding year.

a) General Information

The Institute was established on the 24th June 1960 as a Company Limited by Guarantee and was known then as the Economic Research Institute. The title of the Institute was later changed to the Economic and Social Research Institute. The head office is at Whitaker Square, Sir John Rogerson's Quay.

The Institute produces research that contributes to understanding economic and social change in the new international context and that informs public policymaking and civil society in Ireland.

b) Statement of Compliance

The financial statements of the Institute for the year ended 31 December 2018 have been prepared in accordance with FRS 102, the financial reporting standard applicable in the UK and Ireland issued by the Financial Reporting Council (FRC), as promulgated by Chartered Accountants Ireland.

c) Basis of Preparation

The financial statements have been prepared under the historical cost convention, except for certain assets and liabilities that are measured at fair values as explained in the accounting policies below. The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Institute's financial statements.

d) Revenue

Oireachtas Grants

Revenue is recognised on an accruals basis; one exception to this is the case of Oireachtas Grants which are recognised on a cash receipts basis.

Research Income

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 or invoiced, the difference is included in the Statement of Financial Position under receivables as work in progress. If the value of work completed is less than the amounts received, the difference is included in the Statement of Financial Position under creditors as deferred income.

Capital Grants

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

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e) **Property Plant and Equipment**

Property Plant and Equipment are stated at cost less accumulated depreciation, adjusted for any provision for impairment. Depreciation is provided on all property, plant and equipment, other than freehold land and artwork, at rates estimated to write off the cost less the estimated residual value of each asset on a straight line basis over their estimated useful lives, as follows:

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

Residual value represents the estimated amount which would currently be obtained from disposal of an asset, after deducting estimated costs of disposal, if the asset were already of an age and in the condition expected at the end of its useful life.

If there is objective evidence of impairment of the value of an asset, an impairment loss is recognised in the Statement of Income and Expenditure and Retained Revenue Reserves in the year.

f) **Receivables**

Receivables are recognised at fair value, less a provision for doubtful debts. The provision for doubtful debts is a specific provision, and is established when there is objective evidence that the Institute will not be able to collect all amounts owed to it. All movements in the provision for doubtful debts are recognised in the Statement of Income and Expenditure and Retained Revenue Reserves.

g) **Employee Benefits**

Short-term Benefits

Short-term benefits such as holiday pay are recognised as an expense in the year, and benefits that are accrued at year-end are included in the Payables figure in the Statement of Financial Position.

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.

The Institute also operates the Single Public Services Pension Scheme ("Single Scheme") which is a defined benefit scheme for pensionable public servants appointed on or after 1 January 2013. Single Scheme members' contributions are paid over to the Department of Public Expenditure and Reform (DPER).

Pension costs reflect pension benefits earned by employees, and are shown net of staff pension contributions which are remitted to the Department of Public Expenditure and Reform. An amount corresponding to the pension charge is recognised as income to the extent that it is recoverable.

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The Institute is required to make an annual employer contribution to the Department of Public Expenditure and Reform after taking account of pension benefits paid in the year.

Actuarial gains or losses arising on scheme liabilities are reflected in the Statement of Comprehensive Income, and a corresponding adjustment is recognised in the amount recoverable from the Department of Public Expenditure and Reform.

The financial statements reflect at fair value the assets and liabilities arising from the Institute's pension obligations and any related funding and recognises the costs of providing pension benefits in the accounting periods in which they are earned by employees. Retirement benefit scheme liabilities are measured on an actuarial basis using the projected unit credit method.

h) Loans

Loans are recognised initially at the transaction price (present value of cash payable, including transaction costs). Loans are subsequently stated at amortised cost. Interest expense is recognised on the basis of the effective interest method and is included in finance costs.

Loans are classified as current liabilities unless there is a right to defer settlement of the loan for at least 12 months from the reporting date.

i) Critical Accounting Judgements and Estimates

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the reporting date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements have had the most significant effect on amounts recognised in the financial statements.

Impairment of Property, Plant and Equipment

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Depreciation and Residual Values

The Directors have reviewed the asset lives and associated residual values of all fixed asset classes, and in particular, the useful economic life and residual values of fixtures and fittings, and have concluded that asset lives and residual values are appropriate.

Retirement Benefit Obligation

The assumptions underlying the actuarial valuations for which the amounts recognised in the financial statements are determined (including discount rates, rates of increase in future compensation levels, mortality rates and healthcare cost trend rates) are updated annually based on current economic conditions, and for any relevant changes to the terms and conditions of the pension and post-retirement plans.

The assumptions can be affected by:

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- (i) the discount rate, changes in the rate of return on high-quality corporate bonds
- (ii) future compensation levels, future labour market conditions
- (iii) health care cost trend rates, the rate of medical cost inflation in the relevant regions.

2. Research Income

| | 2018 | 2017 |
|------------------------------|------------------|------------------|
| | € | € |
| Commissioned Research | 969,625 | 783,111 |
| Research Grants | 1,348,990 | 880,020 |
| Research Programmes | 3,394,573 | 3,587,660 |
| Growing up in Ireland Survey | <u>2,622,470</u> | <u>3,275,530</u> |
| | <u>8,335,658</u> | <u>8,526,321</u> |

3. Miscellaneous Income

| | 2018 | 2017 |
|------------------------------------|----------------|----------------|
| | € | € |
| Members' subscriptions | 38,067 | 38,852 |
| Sale of publications | 11,122 | 9,875 |
| Hospital In-Patient Enquiry Scheme | 18,812 | 111,820 |
| Rental income | 92,151 | 86,313 |
| Other Income | <u>78,613</u> | <u>87,380</u> |
| | <u>238,765</u> | <u>334,240</u> |

Since January 2014 the Institute has recouped the cost of staff seconded to the Healthcare Pricing Office (HPO) in the Health Services Executive (HSE) for the Hospital In-Patient Enquiry Scheme. In 2018, the HSE made a contribution of €18,812 (2017 €111,820) to the ESRI's overheads in recognition of costs involved in providing payroll, payment processing, HR and other services to the seconded staff. The staff transferred to the HSE in February 2018. The full income and costs associated with HPO staff in 2017 and 2018 was as follows:

| | 2018 | 2017 |
|---|---------------|----------------|
| | € | € |
| Refund of Seconded Staff Costs | 122,252 | 1,258,931 |
| Less | | |
| Salaries | 80,962 | 882,693 |
| Employers PRSI | 8,243 | 87,892 |
| Pension Costs | 14,169 | 132,404 |
| Other Fees and Permanent Health Insurance Costs | - | 22,067 |
| Direct Costs | - | 974 |
| Travel Costs | <u>66</u> | <u>21,081</u> |
| Total Costs | 103,440 | 1,147,111 |
| Contribution to Overheads | <u>18,812</u> | <u>111,820</u> |

4. Staff Wages and Salaries

- 4.1 The number of persons employed (full-time equivalents) in the financial year was 120 (2017:119). Total includes 93 (2017:100) permanent staff (full-time equivalents). This

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does not include staff employed on short-term contracts for interviewing. Full-time equivalent figure at 31/12/18 was 94.

4.2 The salaries and related costs were incurred as follows:

| | 2018 | 2017 |
|---|------------------|------------------|
| | € | € |
| Economic and Social Research Divisions | 4,659,618 | 4,256,092 |
| Growing Up in Ireland | 920,724 | 743,997 |
| Administration | 1,227,835 | 1,140,125 |
| Employers PRSI | 677,104 | 608,189 |
| Other Fees and Permanent Health Insurance Costs | <u>70,435</u> | <u>70,413</u> |
| | <u>7,555,716</u> | <u>6,818,816</u> |

The salaries figure of €7.55 million (2017 €6.82 million) above excludes staff seconded to the HPO. See note 3 above.

4.3 €347,325 of pension related deductions (PRD) has been paid over to the Department of Public Expenditure and Reform. (2017: €348,883).

4.4 The charge to salaries includes costs of €1,874 (2017: €1,783) incurred in respect of the production of the Economic and Social Review by Economic and Social Studies.

4.5 Director's Remuneration

| | 2018 | 2017 |
|------------------------------|----------------|----------------|
| | € | € |
| Salary | 172,553 | 166,350 |
| Superannuation Provision | 43,138 | 41,588 |
| Income Continuance Provision | <u>1,726</u> | <u>1,664</u> |
| | <u>217,417</u> | <u>209,602</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 in 2018 amounted to €4,445 (2017:€3,436).

No bonuses or perquisites were paid to the Director in 2018.

4.6 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 2018 amounted to €2,247 (2017:€2,304).

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4.7 Employee benefits breakdown

Range of total employee benefits Number of employees

| From | To | 2018 | 2017 |
|----------|----------|------|------|
| €60,000 | €69,999 | 3 | 11 |
| €70,000 | €79,999 | 4 | 3 |
| €80,000 | €89,999 | 6 | 7 |
| €90,000 | €99,999 | 6 | 5 |
| €100,000 | €109,999 | 4 | 7 |
| €110,000 | €119,999 | 7 | - |
| €120,000 | €129,999 | 1 | 2 |
| €130,000 | €139,999 | 2 | - |
| €140,000 | €149,999 | - | 3 |
| €150,000 | €159,999 | 1 | - |
| €160,000 | €169,999 | - | 1 |
| €170,000 | €179,999 | 1 | |

4.8 There were no termination payments made in the year.

4.9 Overtime payments of €2,405 (2017 €0) were made in the year.

5. Direct Project Expenses

| | <i>2018</i> | <i>2017</i> |
|----------------------------------|------------------|------------------|
| | € | € |
| Consultants and Network Partners | 22,714 | 690 |
| Field Staff Fees | 850,173 | 1,531,183 |
| Other Direct Costs | 503,417 | 774,489 |
| Travel- Foreign | 91,190 | 132,052 |
| Travel- Domestic | <u>11,559</u> | <u>18,123</u> |
| | <u>1,479,053</u> | <u>2,456,537</u> |

6. Establishment Costs

| | <i>2018</i> | <i>2017</i> |
|---------------------------------------|----------------|----------------|
| | € | € |
| Rent & Rates | 1,620 | 3,000 |
| Interest Costs | 56,083 | 58,552 |
| Heat, light, maintenance and cleaning | 296,069 | 281,867 |
| Depreciation | <u>416,485</u> | <u>389,115</u> |
| | <u>770,257</u> | <u>732,534</u> |

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7. Administration

| | 2018 | 2017 |
|---|----------------|----------------|
| | € | € |
| Printing and Stationery | 38,794 | 53,988 |
| Postage, insurance, telephone and general expenses ¹ | 220,587 | 249,911 |
| Computer Costs (including license fees) | 164,649 | 128,979 |
| Travel | 75,397 | 11,091 |
| Library books and subscriptions | 15,695 | 14,355 |
| Professional Fees- Legal | 20,461 | 3,491 |
| -Tax and Financial | 30,288 | 10,300 |
| -Pension and HR | 12,060 | 17,251 |
| -Other | 29,809 | 23,151 |
| Audit Fees | <u>16,000</u> | <u>15,000</u> |
| | <u>623,740</u> | <u>527,517</u> |

8. Property Plant and Equipment

| | <i>Computer equipment</i> | <i>Equipment, fixtures and fittings</i> | <i>Building</i> | <i>Total</i> |
|-------------------------------------|-------------------------------|---|-------------------|-------------------|
| | € | € | € | € |
| Cost: | | | | |
| At beginning of year | 752,350 | 654,007 | 15,582,273 | 16,988,630 |
| Additions | 144,549 | 18,920 | - | 163,469 |
| Disposals | (42,824) | - | - | (42,824) |
| | ----- | ----- | ----- | ----- |
| At end of year | 854,075 | 672,927 | 15,582,273 | 17,109,275 |
| Accumulated Depreciation: | | | | |
| At beginning of year | 699,364 | 576,605 | 3,731,818 | 5,007,787 |
| Provided in year | 79,759 | 25,081 | 311,645 | 416,485 |
| Disposals | (42,824) | - | - | (42,824) |
| | ----- | ----- | ----- | ----- |
| At end of year | 736,299 | 601,686 | 4,043,463 | 5,381,448 |
| Net book value at beginning of year | <u>52,986</u> | <u>77,402</u> | <u>11,850,455</u> | <u>11,980,843</u> |
| Net book value at end of year | 117,776 | 71,241 | 11,538,810 | 11,727,827 |

¹ Included in the figure are €47,037 (2017: €60,050) which relates to staff canteen and other staff related costs, conference and other events and €8,943 (2017: €8,585) which relates to a contribution to the employees sports and social club activities.

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9. Receivables

| | 2018 | 2017 |
|------------------------------------|------------------|------------------|
| | € | € |
| Revenue from projects | 207,930 | 643,734 |
| Work-in-progress | 1,528,747 | 851,497 |
| Other debtors and prepaid expenses | <u>223,252</u> | <u>438,850</u> |
| | <u>1,959,929</u> | <u>1,934,081</u> |

10. Cash and Cash Equivalents

| | 2018 | 2017 |
|---------------|----------------|------------------|
| | € | € |
| Bank Accounts | 947,617 | 2,523,262 |
| Cash | <u>55</u> | <u>162</u> |
| | <u>947,672</u> | <u>2,523,424</u> |

Cash and cash equivalents include €428,875 (2017 €1,481,005) received by way of advance payments for work to be completed.

11. Payables (amounts falling due within one year)

| | 2018 | 2017 |
|--------------------|------------------|------------------|
| | € | € |
| Payroll Taxes | 246,834 | 280,833 |
| Value Added Tax | 195,659 | 353,792 |
| Deferred Income | 428,875 | 1,481,005 |
| Trade Creditors | 44,899 | 142,372 |
| HPO Advanced Funds | 630,082 | 638,644 |
| Accrued Expenses | 660,538 | 746,590 |
| Other Creditors | 14,402 | 105,468 |
| Havbell Mortgage | <u>407,639</u> | <u>394,890</u> |
| | <u>2,628,928</u> | <u>4,143,594</u> |

No security has been provided by the Institute in respect of the above creditors with the exception of the Havbell Mortgage.

12. Long Term Loans (amounts falling due after one year)

| | 2018 | 2017 |
|-------------------------------|-----------|-----------|
| | € | € |
| Havbell mortgage: Euribor +1% | | |
| Due after one year | 7,660,309 | 8,095,112 |

The 30 year mortgage loan commenced in 2006. Havbell Limited have first legal charge over the property at Whitaker Square, Sir John Rogerson's Quay, Dublin 2

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13. Taxation

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

14. Commitments – Capital and Others

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

15. Related Company

At 31 December 2018 the following related undertaking was in existence.

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 on pro-bono basis (See Note 4.4).

16. Contingent Liabilities and Other Matter

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

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17. Pensions

(a) Pension Liability and Asset

As outlined in Accounting Policy (g) 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 Public Expenditure and Reform an annual pension contribution after taking account of pension benefits paid by the Institute. The Act enables the Minister 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 102 (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 102 pension liability at 31 December 2018 is €55,997,000 (2017: €54,913,000) based on an actuarial valuation of the pension liabilities in respect of Institute staff as at 31 December 2018 carried out by a qualified independent actuary for the purpose of FRS 102. A deferred funding asset of €55,997,000 equal to the liability at 31 December 2018 is recognised as a separate asset in the Statement of Financial Position.

The members of the Single Public Services Pension Scheme have been included in the pension liability calculations.

| Movement in Pension Liability | 2018 | 2017 |
|--|-------------------|-------------------|
| | € | € |
| Present Value of Scheme Obligations at beginning of year | 54,913,000 | 53,752,000 |
| Current Service Cost | 1,562,000 | 1,580,000 |
| Interest Cost | 1,179,000 | 1,104,000 |
| Actuarial (Gain)/Loss | 72,000 | (129,000) |
| Benefits Paid | (1,729,000) | (1,394,000) |
| Premiums Paid | - | - |
| Present Value of Scheme Obligations at end of year | <u>55,997,000</u> | <u>54,913,000</u> |

The net effect on the Statement of Income and Expenditure and Retained Revenue Reserves of the above is nil.

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(b) Pension Costs

The pension costs of the year as measured under FRS 102 amounted to €2,741,000. These are offset by a corresponding amount of funding receivable. The net impact on the Statement of Income and Expenditure and Retained Revenue Reserves is as set out below.

| | 2018 | 2017 |
|--------------------------------|----------------|----------------|
| | € | € |
| Current Service Cost | 1,562,000 | 1,580,000 |
| Interest | 1,179,000 | 1,104,000 |
| HPO Contribution | (14,169) | (132,404) |
| Pension payments not offset | 67,700 | 66,920 |
| Adjustment to Deferred Funding | (2,741,000) | (2,684,000) |
| Employer contributions | <u>719,886</u> | <u>871,458</u> |
| | <u>773,417</u> | <u>805,974</u> |

The Institute made payments of €67,700 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 Public Expenditure and Reform

The Institute paid over total contributions of €1,094,441 (2017: €1,250,682) to the Department of Public Expenditure and Reform before taking account of pension benefits amounting to €1,729,000 (2017: €1,394,000) paid in the year. The difference between benefits paid by the Institute over contributions due in 2018 of €637,559 was refunded to the Institute.

The total contributions were made up of employer contributions of €719,886 (2017: €871,458) and employee contributions of €371,556 (2017: €379,224). The employee contributions included Single Pension Scheme Contributions of €120,837 (2017: €83,918).

(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 Public Expenditure and Reform. Pensions of both schemes are subject to the pension reduction provisions of the *Financial Emergency Measures in the Public Interest (No.2) Act 2010*.

Actuarial Assumptions

The principal Financial Assumptions used at 31 December 2018 and 31 December 2017 are shown in the table below.

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The assumptions as at the reporting date are used to determine the Pension Asset/Liability at that date and the pension expense for the following year.

| Valuation Date | 31/12/2018 | 31/12/2017 |
|------------------|------------|------------|
| Discount Rate | 2.20% | 2.15% |
| Salary Increase | 2.10% | 2.20% |
| Pension Increase | 2.1%/1.6% | 2.20%/1.7% |
| Inflation (CPI) | 1.60% | 1.7% |

e) Funding of pensions

Employer and employee pension contributions of €864,621 will be due to the Department of Public Expenditure and Reform in respect of 2019 before deduction of pension benefits of €1,578,780 which will be paid by the Institute in 2019. The net difference of €714,159 will be due to the Institute.

18. Irish Fiscal Advisory Council

The Irish Fiscal Advisory Council (IFAC) is an independent statutory 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 also examines the extent of compliance with legislated fiscal rules. The Institute provides administrative support to the Council.

An amount of €27,416 is included in the financial statements in Receivables representing an amount due to the ESRI by IFAC at 31 December 2018 in relation to administrative support provided during the year.

19. Reserves

| | Retained Revenue Reserves | Capital Reserve | Total Reserves |
|--|---------------------------------|--------------------|-------------------|
| Balance as at 1 st January 2018 | 892,303 | 3,310,000 | 4,202,303 |
| Surplus for the Year after pension appropriation to DPER | 147,240 | | 147,240 |
| Transfer from Capital Reserve | <u>85,000</u> | <u>(85,000)</u> | — |
| Balance as at 31 st December 2018 | <u>1,124,543</u> | <u>3,225,000</u> | <u>4,349,543</u> |

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The capital reserve represents capital grants received from the Department of Finance in 2008 and the Economic and Social Research Trust in 2016 to assist the Institute in the funding of its premises. The grant amounts are amortised in line with depreciation on the building.

20. Related Party Disclosures

Key management personnel in the ESRI consist of the Director and the members of the Council. Total Compensation paid to key management personnel, including Council members expenses and total Director remuneration, amounted to €224,109 (2017: €215,342).

For a breakdown of the remuneration and expenses paid to key management personnel, please refer to Note 4.5 and Note 4.6.

The Board adopted procedures in accordance with the guidelines issued by the Department of Public Expenditure and Reform 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.

21. Going Concern

After making enquires and on the basis that the Oireachtas grant 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.

22. Approval of Financial Statements

The Financial Statements were approved by the Council on 26 February 2019.