



**Overseas
Development
Institute**

Annual Report and Financial Statements
31 March 2013

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

Charity registration number: 228248

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Reference and administrative information

ODI Charity Board of Trustees	James Cameron – Chair (appointed November 2012) William Day (retired October 2012) Ann Grant Isobel Hunter Kate Jenkins Richard Laing Martin Tyler Sue Unsworth Stewart Wallis OBE Chris West
ODI Sales Ltd (Trading Subsidiary) Board of Directors	Richard Laing – Chair Peter Cleland Martin Tyler (appointed September 2012) Fraser Winterbottom (appointed September 2012)
(Executive) Director	Kevin Watkins (from June 2013) Andrew Norton (interim April – June 2013) Alison Evans (to March 2013)
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ODI Sales Ltd Company registration number	7157505 (England and Wales)
Charity registration number	228248
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Objectives and Activities

Charitable Objects and Mission

The Institute's primary object, as set out in our Memorandum, is to promote the study and discussion of, and the exchange of information, upon the economic and social development of nations, and the influence thereon of various policies, actions and institutions. This primary object is reflected by ODI's mission statement: to inspire and inform policy and practice which lead to the reduction of poverty, the alleviation of suffering and the achievement of sustainable livelihoods in developing countries.

ODI aims to achieve its object and mission by locking together high quality applied research, practical policy advice, and policy-focused dissemination and debate. To do this, we work with partners in the public and private sectors, in both developing and developed countries.

Our objectives for FY 2012/13

In furtherance of its primary object, each year ODI sets out some key strategic objectives in its Business Plan that guide the delivery of our mission; develop and improve the organisation's operational performance; and strengthen our research scope, quality and breadth.

In FY 2012/13, the Institute's main **operational objectives** were as follows:

Focus on results: to continue to build a results-focus through strengthening monitoring frameworks for the strategic priorities and the flagships at different levels to track their implementation and impact.

Enhancing quality: to establish a Research Quality Support Fund which would support selective high-value peer review and access to key resources for researchers. We also planned to embed more strongly concerns with quality in the institute's culture.

Cross-team working and communication: while much had already been done to encourage researchers to team up to win work and produce results, e.g. through the Accountable Grant and Strategic Priorities, working between teams is not an end in itself and the SMT was concerned to continue to encourage it where it makes sense and where it makes ODI more effective.

Office Move: work planning in 2012 was dominated by the office move with the aim of enhancing the convening profile of the organisation while providing a positive working environment for staff and cross-programme working.

Information Management: ODI is renewing its ICT infrastructure to coincide with the office move and to create a virtual office for staff and partners wherever they are. We also plan to prioritise work to realise the benefits of our recent systems change through a range of initiatives.

Managing our environmental footprint: ODI continues to work systematically to review and reduce the environmental impact of its work practices. By building on existing behaviours and policies the aim is to reduce the Institute's carbon footprint by 10% (based on a tonnes per headcount basis) over three years.

In addition to these operational objectives, the organisation also has five **Strategic Priorities** that reflect the major research areas in which ODI is seeking to make a difference and provide public benefit. These were first established in 2011, and remain relevant today. They are:

New Goals for a New Era: This goal seeks to recognise how the world has changed since the Millennium Development Goals were adopted in 2000, and think through the implications of these changes for future development ambitions.

Climate-compatible Development: ODI's focus here is on development that minimises the harm caused by the impact of climate change and maximises the opportunities for human development presented by a more resilient, low emissions future.

Resilience in Fragile Contexts: ODI has recognised that too often, the international response to fragile states is to rely on approaches tried and tested in countries that already enjoy strong governance and robust institutions. These are often inappropriate in more unstable contexts, so our approach under this priority is to focus on the reality of fragility – on what works, and what doesn't – strengthening understanding of how fragile states can develop, including through stronger governance and social, economic and political institutions.

Inclusive Growth in a Volatile World: Under this Strategic Priority, ODI seeks to highlight the reality that unless the excluded are included in economic growth, such growth is built on shifting sands and remains vulnerable to the slightest tremor. Our primary aim here is to support the development of effective responses to global volatility for low- and middle-income countries, working with partners to promote resilience, sustain growth and employment, support innovation, and achieve poverty reduction.

New Models for Action: Our final priority is to investigate and support the development of new, more effective models for financing development and humanitarian action that recognise global power shifts, and aim to engage public, private and civil-society actors. Our work here recognises that context matters for lasting impact, and that understanding context is essential for effective action.

Our Activities in FY 2012/13

ODI works across a wide range of sectors that have a direct impact on the well-being of the poorest people in developing countries. We have 12 core research programmes:

- Agricultural Development and Policy (ADP);
- The Centre for Aid and Public Expenditure (CAPE);
- Climate and Environment Programme (CEP);

- Growth, Poverty and Inequality Programme (GPIP);
- Humanitarian Policy Group (HPG);
- International Economic Development Group (IEDG);
- Politics and Governance (POGO);
- Private Sector and Markets (PSM);
- Research and Policy in Development (RAPID);
- Social Development;
- Social Protection; and
- Water Policy Programme (WPP).

Each research programme undertakes a variety of projects every year that focus on their specific areas of expertise. Some larger pieces of work also cut across programmes, drawing on the knowledge and skills of a range of research teams. In total, ODI was involved in 565 unique research projects over the course of FY 2012/13.

In addition to these core programmes, ODI hosts important networks, including the Humanitarian Practice Network (HPN) and the Active Learning Network for Accountability and Performance in Humanitarian Action (ALNAP). We are also actively involved in a wide range of partnerships, including the European Think-Tanks Group (ETTg), the Climate and Development Knowledge Network (CDKN) and the All Party Parliamentary Group on Overseas Development (Apgood).

The ODI Fellowship Scheme has given postgraduate economists an opportunity to work in the public sectors of developing countries since 1963. As of 31 March 2013, there are 98 Fellows in post, working with the governments of 22 developing countries and one regional body.

In setting the objectives above and planning the activities of ODI, the Trustees have given careful consideration to the Charity Commission's general guidance on public benefit as well as our charitable objectives.

Specific activities undertaken over the year are detailed in the achievements and performance section below.

Achievements and Performance

In evaluating the impact of ODI's work on policy and practice, we use a range of methods and indicators. For our operational objectives, we employ both quantitative and qualitative assessment methods, monitoring financial indicators, resource growth and communication uptake and reach statistics. For our more research-focussed Strategic Priorities, assessment tends to be more qualitative as the nature of our work and lengthy timeframes between our research being published

and policy change taking place can make it difficult to quantify our impact. However, here too, communications statistics can be helpful.

We have reviewed our progress against **operational objectives** as follows:

Focus on results: the broad change here was executed as intended through establishing and implementing the Strategic Priorities. Further work is needed to continue to embed these and strengthen the approach to monitoring. Establishing a clear top line for the Institute and broad cultural support for this change across ODI is significant.

Enhancing Quality: a Quality Working Group was formed and developed new systems on research ethics review and a review of early stage documents. There has also been greater use of peer review within ODI over the past year. A new approach is being trialled for access to research data and materials, and quality review and oversight systems have improved. However, there is still work to do in terms of quality support systems and oversight, and this will be taken forward in next year's objectives.

Cross-team working and communication: in addition to our large multi-programme projects and framework contracts, ODI has introduced a number of initiatives to foster cross-programmatic dialogue and cooperation. In November 2012 we held an all-staff retreat, focussed on generating a collective understanding of our objectives and future directions. Many programmes are collaborating on our Strategic Priorities (see below). The layout of each floor within the new building, and the central social area on the top floor are also encouraging greater informal discussions between programmes, which in turn is leading to useful research cooperation.

Office Move: ODI successfully made the move to 203 Blackfriars Road in September 2012. The new offices are a marked improvement on our previous accommodation, and include excellent new convening spaces and conference facilities which have considerably enhanced the professionalism of ODI events. The project was completed on time, and to budget.

Information Management: ODI has considerably upgraded its Information Technology provision since this objective was set. Our servers are now hosted off-site in a secure location, which will provide better business continuity in the event of a problem at 203 Blackfriars Road. We have introduced laptop docking stations on most desks, and our new 'soft phone' systems means it is much easier for staff to work from home or abroad.

Managing our environmental footprint: ODI has moved into new premises which is rated as "Very Good" under the international BREEAM rating system. The building has motion-sensitive lighting, independent heating/cooling controls and full insulation installed throughout. Our waste recycling service has also been upgraded, and new printers provide 'on-demand' printing to reduce paper wastage. The introduction of full video-conferencing facilities and Skype access in all meeting rooms is helping to reduce our travel-related carbon footprint. Monitoring is ongoing.

We also undertook a broad range of activities under each of our **Strategic Priorities**. These can be summarised as follows:

New Goals for a New Era: This area of work has taken on a scale and significance which we did not anticipate at the beginning of 2012/13. Our Growth, Poverty and Inequality Programme's work on the post-2015 MDG agenda in particular has proved remarkably influential. ODI were recognised by DfID as the 'go to' think tank on the post-2015 debate. We established the crowdsourcing 'MyWorld' platform with UNDP to allow global participation in the goals debate and jointly convened the 'Cairo conversation' with UNDP; the first event on the post-2015 agenda to involve a large group drawn from a wide range of countries and institutions. We also contributed papers to the secretariat of the high-level panel of eminent persons on the post-2015 agenda, participated in key events such as the Japanese post-MDG contact group and ensured excellent engagement around the post-2015 debate through our public events and the development of the www.post2015.org information hub.

Climate-compatible development: ODI has developed a vibrant practice on climate compatible development, under the leadership of the Climate and Environment Programme (CEP). This area of work has a cross institute strategy, which is currently being renewed. ODI has established a strong global position on extreme weather and the disaster resilience dimensions of climate action. We have also consolidated our position as a leading source of information, analysis and commentary on climate finance and climate change adaptation. Our Climate Funds Update platform continues to be recognised as the premier global resource on climate finance, with more than 100,000 individual users visiting the site every year. ODI staff have helped shape international efforts to mobilise and deliver climate finance including as participants in the UNFCCC work programme on Long Term Finance, facilitating high level dialogue on options at the November Doha COP, and supporting the early work programme of the Green Climate Fund. CEP's Head of Programme was also a lead author of the UNFCCC report on extreme weather.

Resilience in Fragile Contexts: A range of ODI programmes are focused on finding innovative ways to strengthen social, governance and economic institutions in fragile and conflict affected situations. Our Humanitarian Policy Group programme is now recognised as one of the premier global analytic resource and networks on humanitarian action in crisis situations, while the flagship work programme coordinated by the Politics & Governance programme aims at better understanding the political and institutional obstacles to service in fragile and low income contexts. The Secure Livelihoods Research Consortium seeks to strengthen service delivery and livelihoods in fragile and conflict affected situations and has recently signed an MoU with the World Bank's knowledge platform on fragility, conflict and violence - 'The Hive' - aimed at sharing knowledge, expertise, and ideas. Our Budget Strengthening Initiative expanded its operations in 2012/13 to successfully build capabilities and systems in all of its three focus countries (DRC, Liberia and Southern Sudan) and is providing valuable ongoing support to the influential G7+ group of fragile states. A flagship programme of work led by the Social Development team is geared to understanding how development action can

transform the life chances of hard-to-reach young women and girls in both fragile and non-fragile contexts.

Inclusive Growth in a Volatile World: Through its 'ShockWatch' programme, ODI has provided high profile analysis and policy briefings on a range of key issues related to the impacts of market volatility on development processes. In particular:

- The Food Price Update, which is a high visibility tracking service providing analytics on food price volatility and related issues such as land acquisition and biofuel policy.
- ODI's work on the Eurozone crisis and its actual and potential impact has been seminal in global debates. An updated paper on the crisis: *Risks for Developing Countries* was much in demand with 6,807 downloads over the course of 2012/13.
- The Social Protection programme continues to provide a range of evidence based analytics and policy advice to donors and governments on appropriate strategies for responding to the poverty impacts of crisis events. A major public event on public works schemes as a social protection instrument was followed by a donor roundtable.
- ODI's Social Development team worked with Plan International to produce a major report on the impact of the 2009/10 economic crisis on girls and young women.

New Models for Action: This Strategic Priority is still taking shape as a co-ordinated area of action across ODI with synergies between the different parts. However, there have been some very notable successes including, the Horizon 2025 paper (Kharas/Rogerson), which influenced thinking about the future of development and the future priorities and structure of development agencies. The publication was downloaded 6,622 times during 2012/13.

The 2012 CAPE conference, "Old puzzles, new pieces: Development cooperation in tomorrow's world", created a lively discussion space for development futures debates with high level contributions from the World Bank, ADB, the South African Development Partnership Agency, the Mexican Agency for International Development Cooperation, the Chinese Agricultural University and the Gates Foundation, and over 250 people from over 35 countries across Asia, Africa, Europe, the Americas and the Middle East participating in the proceedings online.

ODI also partnered with the OECD and Business Fights Poverty in a dialogue on the evolution of Aid for Trade and provided two challenge papers to scope the future shape of development action for the DANIDA 50th Anniversary High Level workshop. Finally, our Humanitarian Policy Group's ground-breaking work on engagement with armed non-state actors has involved field-based interviews with Taliban commanders at different levels in two Afghan provinces and generated key discussions on the importance of humanitarian negotiations and the future of humanitarian aid.

Plans for future periods

ODI's latest business plan is set out over three years (FY 2013/14 to FY 2015/16), to help the Institute to fully understand future upcoming challenges and opportunities, and to provide a practical plan to achieve our strategic ambitions. This three-year rolling view allows the Institute to properly assess its funding pipeline, identify gaps and to consider areas for development and innovation.

The context for global development is undergoing unprecedented change. The decade since 2000 has seen progress in human development at a pace and on a scale unimagined in earlier decades. New social technologies are shaping and reshaping the boundaries between states, markets and citizens. Private sector actors are taking up an increasingly important space as investors in and transmitters of development. Buoyed by rising demand for commodities and a consuming middle class, regions and countries previously hampered by structural deficiencies have successfully bucked the trend and have recorded some of the fastest rates of headline growth anywhere in the world. Of the top ten growing economies in 2012, six were on the African continent.

But rapid progress also exposes the uneven and fragile basis of economic transformation and an emerging dissonance in social and political systems ranging from Egypt to Syria to Mali and the Central African Republic. The challenges of a warming climate are constantly changing the baseline for the individual and collective decisions of governments, businesses and citizens. Options for development are increasingly framed by the challenges of solving a series of global and local public goods problems – from climate and water security, to drug trafficking and public health - each dependent on finding new forms of collective action to deliver solutions sustainably and at scale.

Within this context a number of current and future trends are significant for ODI's future focus and role: shifts in the geo-political landscape; major social transformations reshaping social identities; the changing face of development finance; and new networks and technologies for sharing knowledge.

Financial Year 2013/14 will also represent a significant period of change for ODI internally, with the arrival of Kevin Watkins, ODI's new Executive Director, in June 2013. To accommodate the change in leadership, ODI did not undertake a full strategic review in 2012 as originally scheduled, and instead selected three interim "change directions" (our operational objectives for 2013/14), which will be revisited on Kevin's arrival, and integrated into a more comprehensive review of strategy.

These interim operational objectives are as follows:

Enhancing quality and innovation: ODI has a strong global reputation for high quality, evidence based research, a reputation we are keen to protect and enhance. The SMT has therefore identified FY 2013/14 as an appropriate moment to review our quality assessment and peer review procedures and ensure that they are robust enough to manage the increased volume of research outputs. Furthermore, there is a need to continue to innovate; this ambition will be given targeted financial support throughout the year, both centrally and within programmes, to encourage development of new ideas.

Developing new funder profile for global outreach: With the key players in development changing rapidly, ODI's funding profile needs to change too. To achieve this, ODI is looking to identify and deliver new large-scale multi-year funding arrangements with traditional agencies and philanthropic organisations in FY 2013/14, as well as securing funding from new actors within the social impact and climate action investor communities, middle-income countries, and where appropriate, the Global South.

Expanding global thought leadership/engagement: ODI draws strength from its London base, but there is a perceived need to strengthen ODI's global outreach and engagement – particularly through developing a stronger profile in regional debates and arenas in Asia and Africa. ODI has a number of plans to achieve this, including the development of translation facilities for one or more important global languages, the continued widening of media engagement with English language media beyond Europe and North America, and the hiring of staff and/or associates with regional expertise and networks that differ from our usual profile.

Governance, structure and management

ODI is an independent think tank with more than 200 staff, including researchers, communicators and specialist support staff.

Group constitution

ODI was founded in 1960 and is a charitable company limited by guarantee. The Charity has a wholly owned trading subsidiary, ODI Sales Limited, which was set up to allow the Charity to continue to operate exclusively in non-business activity, as defined by HMRC with respect to VAT. The object of the company is to generate income for the objects of the Charity. ODI Sales Limited has a Board of four Directors, two of whom are Trustees for the Charity, one of whom is independent, and one is a staff member. Both the Charity and the trading subsidiary have a Memorandum and Articles of Association as their governing documents.

The Council and the Board of Trustees

The Institute is governed by a Board of up to 12 Trustees, chaired by James Cameron. Prior to James' appointment in November 2012, William Day served as Interim Chair, with Stewart Wallis stepping in when William came to the end of his term on ODI's Board and Council.

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

The Council of the Institute comprises the Board of Trustees and other Members (including two Staff Members) up to a maximum of 42. The Chair of the Board also presides over the Council. The Council is responsible for electing the Board, based on nominations from a committee that is comprised of both Board and Council Members. The Council is expected to provide the Institute with

contacts at the leading edge of research and policy thinking. A full list of the Board of Trustees and Council are available on the ODI website.

Trustees

To be elected as a Trustee, the individual must first be a Council Member. They can serve for up to three terms of three years on the Board. ODI aims to maintain a balance amongst the Trustees to include research, academic, business and political expertise and knowledge, as well as a gender balance. Trustees are both Charity Trustees and Directors under company law.

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

Brief biographical details of our new Chair, James Cameron, are provided below:

James Cameron, the chairman and co-founder of Climate Change Capital, is a lawyer by training and has spent much of his legal career working on climate change matters, including negotiating the UNFCCC and Kyoto Protocol as an adviser to the Alliance of Small Island States. James is a member of the WEF's Agenda Council on Climate Change and a Trustee Member of the UK Green Building Council and the Carbon Disclosure Project, a member of the Prime Minister's Business Advisory Group and of the Green Investment Bank Commission. He has held academic appointments at Cambridge, London and Sydney and is currently affiliated with the Yale Centre for Environmental Law and Policy. He is a member of Oxfam's development board and a senior adviser to the Climate Group, a member of the Smith School's development board and Chair of the China Dialogue.

Council Members

Council Members can serve for up to four terms of three years. They are selected on the basis of their knowledge, skills, expertise and the benefit that those attributes can bring to the Institute. When elected they attend an induction during which they learn about the history and objectives of the Institute and its current work.

The Institute attempts to keep a balance across the Council Membership between people with backgrounds in research, business, media, non-governmental organisations and politics, and aims to maintain a gender balance. Brief biographical details of one of the most recent recruits to the Council, Brendan Gormley, are provided below.

Brendan Gormley is currently a Trustee of One World Media, the Noel Buxton Trust and Age International UK. He is also a member of the Risk Expert Group, in which Chief Scientific officers across government give advice to ministers on international risks, and lead expert in the Foresight Group, which aims to improve future disaster anticipation and resilience. Between 2000 and 2012, he was CEO of the Disasters Emergency Committee, where he led a growth strategy that has established the DEC as a trusted fundraising organisation with a global reputation for collaborative working and enhancing humanitarian performance. Prior to this, he held a series of roles at Oxfam UK, including African Director.

Members' liability

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

Statement of Trustees' responsibilities

The Trustees are responsible for preparing the Trustees' report and financial statements in accordance with applicable law and United Kingdom Accounting Standards. Company law requires the Trustees to prepare financial statements for each financial year that give a true and fair view of the affairs of the group; the incoming resources and their application, including the income and expenditure of the group. Under company law, the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Charity and of the incoming resources and application of resources, including the income and expenditure of the Charity for that period. In preparing these financial statements, the Trustees have:

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

The Trustees are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the Charity and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Charity and the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

Organisational Structure and Management Reporting

The Board meets formally four times a year and is responsible for strategy, reviewing progress against business and strategic plans, results versus the budget, the final income and expenditure for the year, new or amended policy, risk management and other applicable current projects. Its role is to direct and guide management. When necessary, the Trustees ask management to seek professional advice from solicitors and accountants etc. A certain level of authority is delegated to the Executive Director via the organisation's Statement of Delegated Authority.

A Finance, Audit and Risk Committee, a sub-committee of the Board, meets regularly to review and assess financial issues and risks that may impact ODI in the furtherance of its charitable objectives.

Management is responsible for the day to day running of the Institute, the implementation of policy and ensuring that goals and objectives are attained. The Executive Director, Kevin Watkins (previously Alison Evans, who stood down in March 2013), is supported by a Senior Management Team (SMT) of three others: Director of Research (Andrew Norton), Director of Communications (Gillian Hart) and Director of Strategic Operations (Fraser Winterbottom). The role of the SMT is to provide strategic leadership of the Institute. This involves:

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

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

Staff

Our staff numbers continued to grow in 2012-2013, with a total headcount of 203 on 31 March 2013 with recruitment of further research positions planned. Staff turnover rates have decreased to less than 8% when measured across the financial year, reflecting both the growth in our work and in the wider economic environment. Staff who work directly on research and the dissemination of information account for, an average, 87% of ODI's total work force. ODI continues to attract a large volume of quality applications during recruitment, enabling the Institute to engage an extremely high calibre of staff with a wide range of experience; this year we successfully implemented a new web and workflow-enabled recruitment system to streamline our processes.

All ODI staff complete an annual appraisal and a learning and development plan, and are encouraged to participate in internal development opportunities. Research staff are also provided with a formal career path and annual opportunities for career progression; something that is currently being finalised for support staff.

The Institute also seeks the views of employees through regular staff surveys and has a well-embedded internal communication process; a full review of how we reward our staff was undertaken in 2012/13 and recommendations are being implemented.

ODI's work is led by staff who work alongside colleagues from a broad international network of associates and partner organisations. We have a successful Research Associate (RA) programme, which encourages strong links between ODI and individuals with a reputation for excellence in their particular areas of development research expertise.

ODI strives to be an equal opportunities employer and applies objective criteria to assess merit. It aims to ensure that no job applicant or employee receives less favourable treatment on the grounds of age, race, colour, nationality, religion, ethnic or national origin, gender, marital status, sexual orientation or disability.

Our HR team is conducting a full review of internships with a view to developing a formal internship programme, and continues to offer a wide range of exceptional opportunities for people looking to gain experience in international development, humanitarian policy and practice and charity management by working alongside ODI's world-class staff. The Institute also benefits hugely from the efforts of these volunteers, who represent a high-calibre intellectual force.

A full list of staff and Research Associates is available on the ODI website.

Risk management

The Trustees undertake a full risk assessment on an annual basis and monitor progress quarterly. This process is supported by the Finance, Audit and Risk Committee of the Board, who assess risk in detail at each of their quarterly meetings. The aim is to identify the major risks to the Institute and to ensure that measures are taken to mitigate the impact of these risks as far as is practical. The internal risk-management processes are integrated into the annual business planning and reporting cycle, which has enabled improved decision-making by the Board. The Board identified the following areas of risk over FY 2012/13:

Leadership – given Alison Evans' departure at the end of March 2013, and the move to a new Chair, loss of leadership and the possible associated dislocation amongst staff were key concerns during the year. The process of recruiting and appointing a new Executive Director and Chair were managed closely by the Board and Senior Management Team. ODI mitigated the impact of these changes by planning well and engaging external assistance for both recruitments. Staff involvement in the Executive Director recruitment process was also encouraged, with a staff panel participating in all final interviews.

Strategic – there is a risk that continuing changes in the external funding environment will make it more difficult for ODI to deliver its mission. We continue to mitigate this risk by working to diversify

our income wherever possible and seek out new audiences and partnerships. We have also implemented a programme reinvestment scheme to allow research teams to invest in innovative new lines of research that might not otherwise be funded.

Long Term Funding – several of ODI’s major long-term funding agreements are due to end in 2015/16. ODI has identified the need to replace or extend these arrangements to avoid a sudden drop in incoming resources, and outlines various approaches for doing so in its current Business Plan.

Capacity – while failure to attract and retain quality human resources is always a potential risk for ODI, the Board currently assess the likelihood of this risk occurring as low. We have, over the year, introduced a new recruitment system to help streamline our recruitment processes. We are also working with the HR team to put in place procedures and structures that will allow us to diversify our staffing base and draw in more in-country expertise.

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

Resilience – following the implementation of a new finance system last year, financial resilience and liquidity have been monitored and progress on mitigation efforts has been good. ODI has also instituted a new reserves policy, and an overdraft facility. The Trustees have assessed the likelihood of this risk presenting a problem as low.

Financial and operational performance

Fraser Winterbottom, Director of Strategic Operations

Highlights

This financial year was another year of both growth and change for ODI; we experienced a strong growth in fees, the number of researchers we employ, and the number of people we work with as partner sub-contractors, building on the high rates of growth we have experienced in the last two years. At the same time, we have continued to improve our operational processes, comprehensively updated and improved our Information Technology provision and completed a successful move to our new offices

Premises and processes

ODI made a successful move to 203 Blackfriars Road in September 2012. The new offices are a marked improvement on our previous accommodation, providing larger and more flexible accommodation, a greatly improved working environment, and excellent new convening and

conference facilities. The new convening facilities are being well-used and have considerably enhanced the professionalism of ODI events. The relocation project was completed on time, and to budget.

The move to new premises has facilitated further improvements in our environmental impact; the upgraded building is rated 'Very Good' under the international Building Research Establishment Environmental Assessment Method (BREEAM) rating system; with motion-sensitive lighting, an advanced heating/cooling system and high levels of thermal insulation throughout. Our waste recycling has been upgraded, and new printers provide 'on-demand' printing to reduce paper wastage. The introduction of full video-conferencing facilities in all meeting rooms is helping to constrain our travel-related carbon footprint.

We have also considerably upgraded our information-technology services; our servers are now hosted off-site in a secure location, and many systems, including our telephony, are cloud-based and provide better accessibility from remote locations. We have also improved our business continuity and contingency arrangements, as well as expanded the use of laptops and docking stations to provide flexible desking, and our new 'soft phone' systems has made it much easier for staff to work from home or abroad.

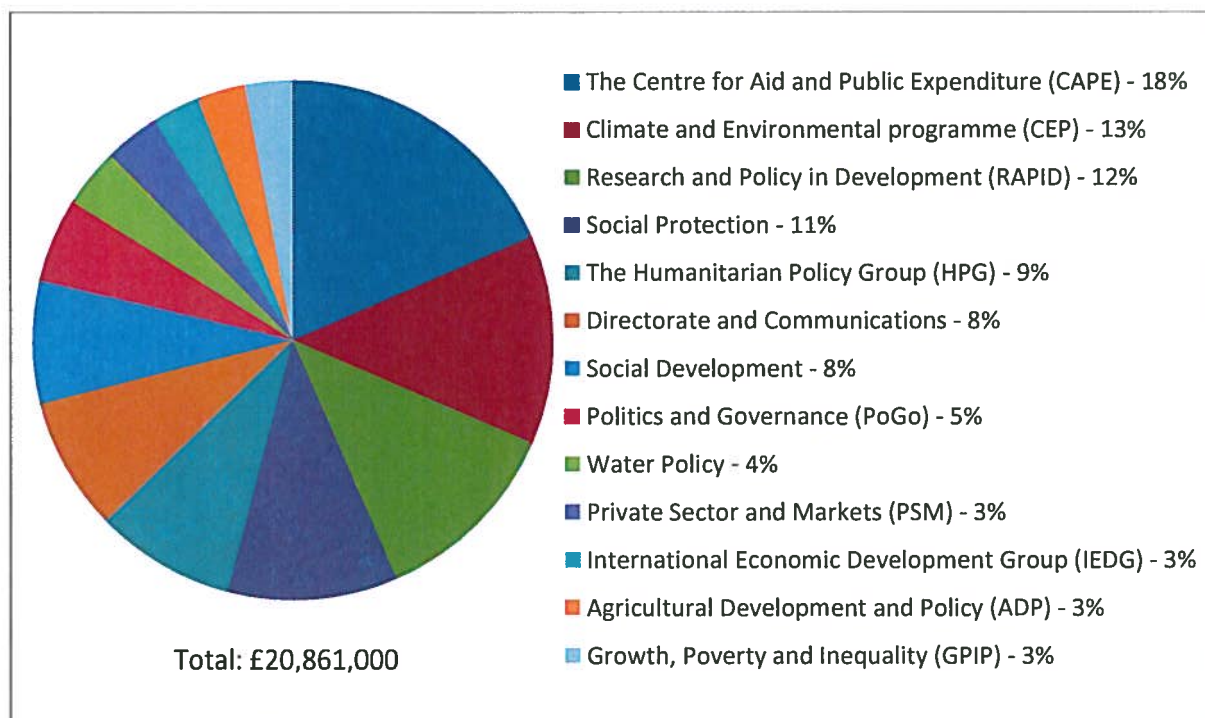
We have continued to improve our contracting review and authorisation processes, introduced a revised risk and control reporting system for review with the Finance Audit and Risk Committee, and have improved our planning and forecasting processes. In our third quarter we completed a fully updated operational business plan providing an outlook for the operational performance of ODI for the next three years and we continue to implement new key performance-indicator reporting to allow us to review our progress.

Our financial performance

The trend of growth in income over recent years continued in the current year with ODI's incoming resources for 2012/13 increasing from £21,086,000 to £25,593,000 – an increase of 21% on the previous year. This – combined with good control of costs – produced net incoming resources for the year of £276,000 (2011/12: £165,000).

Income from research grants and projects (excluding Fellowship, CPAN and ALNAP) increased by 24% on the previous year and, at £20,861,000, represents 82% of ODI's incoming resources. The major drivers for this revenue increase included new or expanded projects for the UK's Department for International Development (DFID), the EU, AusAid and the Bill and Melinda Gates Foundation. Eleven of ODI's 16 research programmes showed material growth, with our four largest Programmes – CAPE, Climate and Environment (CEP), RAPID and Social Protection – seeing very large increases in revenue and activity. CAPE posted a 26% increase in revenue; CEP 64%; RAPID 24% and Social Protection 56%, while Social Development – a smaller programme – saw an increase of 112%.

Figure 1: - Revenue by research programme

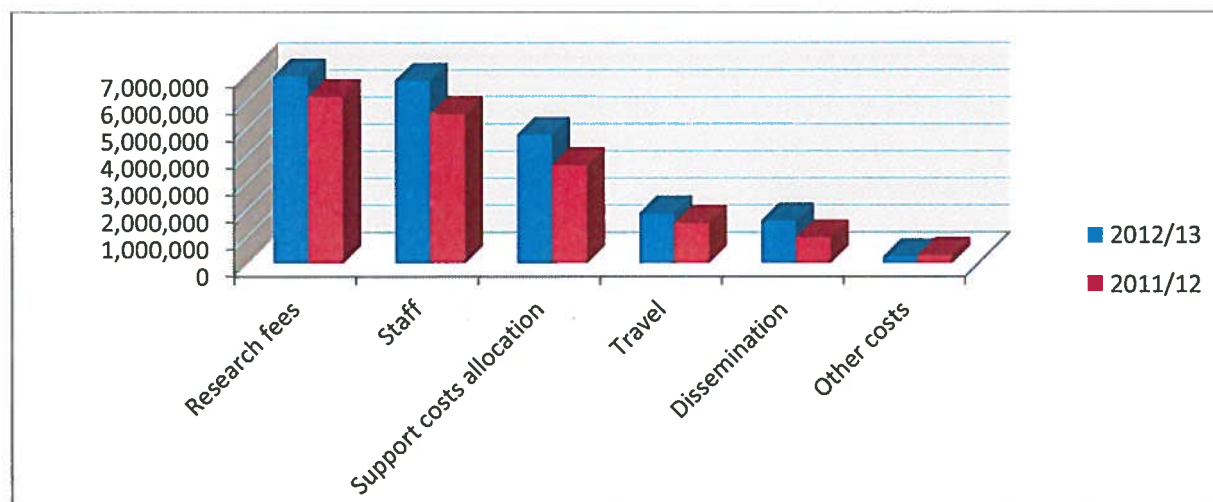


Note: the above chart includes research revenue recorded through ODI's Directorate and Communications' departments but excludes Fellowship, ALNAP & CPAN revenue.

Income from the Fellowship scheme increased by 12% and, at £3,479,000, represents 14% of ODI's incoming resources.

Our growth in income was supported by an increase in expenditure for the year of 21% to £25,317,000 (2011/12: £20,920,000) with average staff numbers increasing by 23% to 185 (2011/12: 151). Figure 2 shows the breakdown of expenditure by expense type including research, fellowship, support and travel costs.

Figure 2 - Expenditure by cost type



ODI signed a 12-year leasehold agreement on larger office premises located at 203 Blackfriars Road, London. Included within total expenditure is £366,000 relating to this office move.

An unrealised gain on investments of £128,000 (2011/12: £170,000) resulted in ODI's reported surplus for the year of £405,000 (2011/12 : £335,000).

Financial position

ODI's strong financial performance was reflected in the improved strength of its balance sheet. Net assets have increased from £3,887,000 to £4,292,000, a 10% increase over 2011/12. Despite spending £1,696,000 on capital items as a result of the move, cash and short-term deposits amounted to £2,702,000 at 31 March 2013 (2011/12 : £2,308,000) – an increase of 17%.

The leasehold on the new office premises and the purchase of fixtures and fittings to equip these premises resulted in an increase in the tangible fixed asset fund from £173,000 in 2011/12 to £1,477,000. This fund represents the net book value of the Charity's fixed assets and has been designated by the Trustees as a separate fund. The purpose of this fund is clearly to delineate between easily realisable funds (working capital and general funds) and fixed assets generated funds that are, by nature, not easily realisable.

This increase in the tangible fixed asset fund led to a concomitant decrease in general funds from £3,714,000 to £2,815,000. These reserves represent the free reserves of the charity.

Reserves policy

In March 2013, and in the light of the changing business context in which ODI operates, the Trustees reviewed – using a risk-based methodology – ODI's Reserves Policy to determine what would be ODI's appropriate level of free reserves i.e. those unrestricted funds not invested in tangible fixed assets, designated for specific purposes or otherwise committed. The purpose of such reserves is to enable ODI better to manage financial risks such as volatility of income, the fixed nature of ODI's costs or other unplanned external environmental changes. The creation and maintenance of such reserves fulfil an important element of Trustees' responsibilities towards all of the Charity's stakeholders and, therefore balance the needs of current and future beneficiaries.

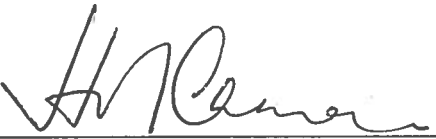
As a result of this review, the trustees agreed that ODI should aim for a target level for free reserves representing approximately six months of ODI operating costs to be achieved within 3 years. It is the Trustees' intention to continue to review this policy regularly to ensure the policy is commensurate with the organisation's evolving needs.

Investment policy

ODI's current investment policy requires investments underpinning general funds to remain highly liquid, and to pose minimal credit risk or risk of losses to ODI.

At 31 March 2013, ODI held investments in the Charinco Common Investment Accumulation Fund with a market value of £1,821,000 (31 March 2012: £1,693,000). The funds are managed by

BlackRock Investment Management (UK) Limited. Although the performance of these funds has been good in recent years, the funds are invested primarily in gilts. This has prompted the trustees to request a review of the continuing likely efficacy of this investment strategy.



Signed on behalf the Board:

James Cameron, Chair

Approved by the Board on 22nd July 2013

Independent auditor's report to the members of the Overseas Development Institute

We have audited the financial statements of Overseas Development Institute for the year ended 31 March 2013 which comprise the consolidated statement of financial activities, the group and parent charity balance sheets, the consolidated cash flow statement, the principal accounting policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Charity's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Charity's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Charity and the Charity's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Trustees and auditor

The Trustees are also the directors of the charitable company for the purposes of company law. As explained more fully in the Trustees' responsibilities statement set out in the Trustees' Annual Report, the Trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the 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 charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Trustees' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the charitable company's affairs as at 31 March 2013 and of the group's incoming resources and application of resources, including their income and expenditure, for the year then ended
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Trustees' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of Trustees' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

Buzzacott LLP

Amanda Francis, Senior Statutory Auditor
for and on behalf of Buzzacott LLP, Statutory Auditor
130 Wood Street
London
EC2V 6DL

26 July 2013

Consolidated Statement of Financial Activities (including income and expenditure account)
for the year ended 31 March 2013

	Notes	General funds £	Designated funds £	Total funds 2013 £	Total funds 2012 £
Income and expenditure					
Incoming resources					
Incoming resources from generated funds					
Interest receivable		6,074	-	6,074	4,065
Income from trading subsidiary	3	1,231,291	-	1,231,291	1,288,906
Incoming resources from charitable activities:					
Research	2	20,873,397	-	20,873,397	16,687,566
Fellowship programme		3,479,156	-	3,479,156	3,105,095
Publications and other income		3,318	-	3,318	-
Total incoming resources		25,593,236	-	25,593,236	21,085,632
Resources expended					
Cost of generating funds					
Resources expended by trading subsidiary	7	756,123	-	756,123	748,992
Charitable activities					
Research	4	21,358,934	-	21,358,934	17,287,939
Fellowship programme	4	3,168,399	-	3,168,399	2,855,635
Governance costs	5	33,455	-	33,455	27,773
Total resources expended		25,316,911	-	25,316,911	20,920,339
Net incoming resources before transfers and net investment		276,325	-	276,325	165,293
Transfers between funds	16	(1,303,953)	1,303,953	-	-
Net (expenditure) income		(1,027,628)	1,303,953	276,325	165,293
Gains on the revaluation of investments	12	128,175	-	128,175	169,683
Net movement in funds	9	(899,453)	1,303,953	404,500	334,976
Balances brought forward at 1 April 2012		3,714,477	172,766	3,887,243	3,552,267
Balances carried forward at 31 March 2013		2,815,024	1,476,719	4,291,743	3,887,243

All of the results in the consolidated statement of financial activities are derived from continuing activities. There were no other recognised gains or losses other than those stated above. The notes on pages 26 to 42 form part of these financial statements.

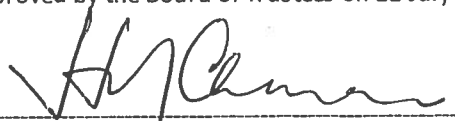
The historical net cost movement in funds for the year is £276,325 (2012: £165,293).

Balance sheet
at 31 March 2013

		Charity 2013	Group 2013	Charity 2012	Group 2012
	Notes	£	£	£	£
Fixed assets					
Tangible assets	11	1,476,719	1,476,719	172,766	172,766
Investments	12	1,821,367	1,821,357	1,693,192	1,693,182
		<u>3,298,086</u>	<u>3,298,076</u>	<u>1,865,958</u>	<u>1,865,948</u>
Current assets					
Debtors	13	6,800,617	6,457,756	5,879,187	5,805,116
Short-term deposits		1,215,129	1,215,129	558,479	558,479
Cash at bank and in hand		955,222	1,486,941	1,304,536	1,749,995
		<u>8,970,968</u>	<u>9,159,826</u>	<u>7,742,202</u>	<u>8,113,590</u>
Creditors:					
amounts falling due within one year	14	(7,797,311)	(7,986,159)	(5,540,917)	(5,912,295)
Net current assets		<u>1,173,657</u>	<u>1,173,667</u>	<u>2,201,285</u>	<u>2,201,295</u>
Provisions for liabilities and charges	15	(180,000)	(180,000)	(180,000)	(180,000)
Total net assets		<u>4,291,743</u>	<u>4,291,743</u>	<u>3,887,243</u>	<u>3,887,243</u>
Represented by:					
Funds and reserves					
<i>Income funds</i>					
Unrestricted funds					
Tangible fixed assets fund	16	1,476,719	1,476,719	172,766	172,766
General funds		<u>2,815,024</u>	<u>2,815,024</u>	<u>3,714,477</u>	<u>3,714,477</u>
	17	<u>4,291,743</u>	<u>4,291,743</u>	<u>3,887,243</u>	<u>3,887,243</u>

The notes on page 26 onwards form part of these financial statements.

Approved by the Board of Trustees on 22 July 2013 and signed on their behalf by:



James Cameron, Chairman

Consolidated cash flow statement
for the year ended 31 March 2013

	Notes	2013 £	2012 £
Cash inflow from operating activities	A	2,083,664	497,765
Returns on investments and servicing of finance			
Interest received		6,074	4,065
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(1,696,143)	(23,500)
Management of liquid resources			
Short-term deposits		(656,650)	(427,264)
(Decrease) / Increase in cash	B	(263,054)	51,066

Notes to consolidated cash flow statement

A. Adjustment of net incoming resources before transfers and net investment gains to net cash inflow from operating activities

	2013 £	2012 £
Net incoming resources before transfers and net investment gains	276,325	165,293
Depreciation	392,189	79,869
Interest receivable	(6,074)	(4,065)
(Increase) in debtors	(652,640)	(2,045,509)
Increase in creditors	2,073,864	2,302,177
Net cash inflow from operating activities	2,083,664	497,765

B. Analysis of changes in net funds

	At 01-Apr 2012 £	Cash flows £	At 31-Mar 2013 £
Short-term deposits	558,479	656,650	1,215,129
Cash at bank and in hand	1,749,995	(263,054)	1,486,941
	2,308,474	393,596	2,702,070

Notes to the financial statements

For the year ended 31 March 2013

1 Principal accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention, as modified by the inclusion of investments at market value, and in accordance with the requirements of the Companies Act 2006. Applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice, Accounting and Reporting by Charities (SORP 2005) have been followed in these financial statements.

Basis of consolidation

These financial statements consolidate the results of the Charity and its wholly owned subsidiary, ODI Sales Limited, on a line by line basis. A separate statement of financial activities is not prepared by the Charity itself following the exemption afforded by section 408 of the Companies Act 2006 and the note in paragraph 397 of SORP 2005. In the year under review, the charity made a surplus of £404,500 (2012: £334,976).

Incoming resources

Incoming resources are recognised in the period in which the Charity is entitled to receipt and the amount can be measured with reasonable certainty.

Grants from government and other agencies have been included as income from activities in furtherance of the Charity's objectives. Much of this income is contractual in nature and, as such, is deemed unrestricted. It is credited to the statement of financial activities so as to match the expenditure incurred during any given project. Such a policy ensures that any potential deficits on projects are recognised immediately whereas surpluses are only recognised upon completion of a project.

Other income is deferred only when the Charity has to fulfil conditions before becoming entitled to it or where the donor or funder has specified that the income is to be expended in a future accounting period.

Resources expended and the basis of apportioning costs

Resources expended comprise the following:

- a) The cost of generating funds comprises the expenditure on commercial trading operations.
- b) The costs of charitable activities comprise expenditure on the Charity's primary charitable purposes, namely:
 - Research and dissemination of information
 - Fellowship activities and services.

The majority of costs are directly attributable to specific activities. Certain shared support costs are apportioned to charitable activities on the basis of the number of staff members employed by each activity.

- c) Governance costs include those incurred in the governance of the Charity and its assets and are primarily associated with constitutional and statutory requirements.

Notes to the financial statements

For the year ended 31 March 2013

1 Principal accounting policies (continued)

Tangible fixed assets

All assets with a cost of more than £3,000 and with an expected useful life exceeding one year are capitalised.

Depreciation is provided at the following annual rates, on a straight-line basis, in order to write off all other assets over their estimated useful lives:

Leasehold improvements	- over the remaining years of the lease
Furniture, fixtures and fittings	- 20% on cost
Equipment	- 33.33% on cost
Computer software	- 14.2% on cost

Fixed asset investments

Fixed asset listed investments are included in the financial statements at their market value as at the end of the financial period. Realised and unrealised gains (or losses) are credited (or debited) to the statement of financial activities in the year in which they arise.

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

Fund accounting

The general funds comprise those monies and/or net assets which may be used towards meeting the charitable objectives of the Charity and may be utilised at the discretion of the Trustees.

Non-charitable trading funds comprise the surplus or deficit retained in ODI Sales Limited.

The tangible fixed assets fund represents the net book value of the Charity's tangible fixed assets.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the net movement in funds.

Leased assets

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to the statement of financial activities on a straight-line basis over the lease term.

Pension costs

Contributions in respect of defined benefit pension schemes are recognised in the statement of financial activities so as to spread the cost of pensions over employees' working lives.

Liquid resources

Liquid resources comprise term deposits with banks registered in the United Kingdom.

Notes to the financial statements
For the year ended 31 March 2013

2 Research grants and project finance receivable

Research grants and project finance receivable during the year are broken down by programme as follows:

	2013	2012
	£	£
Research grants and project finance receivable		
The Centre for Aid and Public Expenditure (CAPE)	3,854,883	3,061,178
Research and Policy in Development (RAPID)	2,499,646	2,015,672
The Humanitarian Policy Group (HPG)	1,811,341	1,947,578
International Economic Development Group (IEDG)	624,005	1,687,485
Social Protection	2,207,139	1,415,775
Politics and Governance (PoGo)	1,089,644	1,348,125
Climate and Environment Programme (CEP)	2,715,161	1,658,171
Social Development	1,598,131	753,015
Private Sector and Markets (PSM)	715,899	794,766
Water Policy	768,765	652,606
Agricultural Development and Policy (ADP)	623,157	671,469
Growth, Poverty and Inequality (GPIP)	620,746	477,613
Directorate and Communications	1,732,082	396,236
Secondment	-	(241)
	20,860,599	16,879,448
Active Learning Network for Accountability and Performance (ALNAP)	860,403	716,867
Chronic Poverty Advisory Network (CPAN)	375,105	285,107
Group research grants and project finance receivable	22,096,107	17,881,422
ODI Sales Limited research grants and project finance receivable (note 3)	(1,222,710)	(1,193,856)
Charity research grants and project finance receivable	20,873,397	16,687,566

Notes to the financial statements
For the year ended 31 March 2013

2 Research grants and project finance receivable (continued)

Notable research grants during the year included :		2013
		£
DFID London & Others	Budget Strengthening Initiative	2,862,239
DFID London	Accountable Grant	2,725,540
DFID Glasgow & Others	Secure Livelihoods Research Consortium	1,553,135
DFID South Sudan	Budget Strengthening Initiative	1,081,390
Bill and Melinda Gates Foundation	Development Progress	774,446
European Union	European Report on Development	754,481
AusAid	Improving the effectiveness of development financing	467,420
DFID Glasgow	Links between economics and conflict in the OPT's	45,205
DFID Glasgow	Climate risk screening for rural water supply in Ethiopia	32,580

As explained under the principal accounting policies, all of the Institute's income is deemed contractual in nature and is classified as unrestricted.

3 ODI Sales Limited research income

The Charity has a wholly owned subsidiary, ODI Sales Limited, which is incorporated in the UK for the purposes of generating income for the charitable purposes of the Charity. A summary of the full trading result of the company is shown in note 7 to the accounts but a breakdown of the research income of ODI Sales Limited is provided below:

	2013	2012
	£	£
Climate and Environment Programme (CEP)	830,581	748,996
Politics and Governance (PoGo)	129,969	139,245
International Economic Development Group (IEDG)	76,958	92,625
The Humanitarian Policy Group (HPG)	46,637	85,453
Private Sector and Markets (PSM)	6,547	73,586
Agricultural Development and Policy (ADP)	-	31,652
The Centre for Aid and Public Expenditure (CAPE)	55,656	16,125
Social Development	-	9,002
Social Protection	6,047	1,541
Water Policy	10,275	-
Research and Policy in Development (RAPID)	8,828	(4,369)
Directorate and Communications	51,212	-
Total ODI Sales Limited research grants and project finance receivable:	1,222,710	1,193,856
Research publications and other income	8,581	95,050
Total ODI Sales Limited research income	1,231,291	1,288,906

Notes to the financial statements
For the year ended 31 March 2013

4 Resources Expended

	2013	2012
	£	£
a) Research and dissemination of information		
Direct project costs		
Staff costs (note 8)	6,711,005	5,391,936
Temporary staff	42,772	130,069
Research fees payable to consultants and related costs	7,038,733	6,160,107
Knowledge exchange and dissemination	1,573,014	949,445
Travel	1,839,363	1,477,581
Other costs	242,084	296,097
	17,446,971	14,405,235
Support costs allocation (note 6)	4,660,786	3,631,696
Group research and dissemination of information costs	22,107,757	18,036,931
ODI Sales Limited research and dissemination of information costs	(748,823)	(748,992)
Charity research and dissemination of information costs	21,358,934	17,287,939

	2013	2012
	£	£
b) Fellowship activities and services		
Supplementation award costs	1,933,394	1,872,773
Staff costs (note 8)	226,989	204,645
Support costs allocation (note 6)	95,118	92,645
Other costs	912,898	685,572
	3,168,399	2,855,635

5 Governance Costs

	2013	2012
	£	£
Auditor's remuneration	29,032	22,832
Legal fees	1,479	2,746
Other costs	2,944	2,195
	33,455	27,773

6 Support Costs

	2013	2012
	£	£
Staff costs (note 8)	1,936,805	1,653,663
Staff overheads	565,245	520,466
Premises	883,756	386,147
Depreciation	392,189	79,869
Dilapidations provision	-	180,000
Other costs	977,909	904,196
	4,755,904	3,724,341

Notes to the financial statements

For the year ended 31 March 2013

6 Support Costs (continued)

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

Support costs allocation	2013	2012
	£	£
Research and dissemination of information	4,660,786	3,631,696
Fellowship activities and services	95,118	92,645
	<u>4,755,904</u>	<u>3,724,341</u>

7 ODI Sales Limited

The Overseas Development Institute owns the entire called up share capital of ODI Sales Limited, a trading company registered in England and Wales, Company Registration Number 7157505, incorporated on 15 February 2010. A summary of the trading results of ODI Sales Limited for the year ended 31 March 2013 are given below. All taxable profits each year are transferred to the Charity.

ODI Sales Limited	2013	2012
	£	£
Income	1,231,291	1,288,906
Cost of sales	(748,823)	(744,792)
Gross Surplus	482,468	544,114
Administrative expenses	(7,300)	(4,200)
Operating surplus	475,168	539,914
Other interest receivable and similar income	-	-
Surplus on ordinary activities before taxation and Gift Aid	475,168	539,914
Taxation	-	-
Surplus on ordinary activities before Gift Aid	475,168	539,914
Gift Aid donation to parent undertaking	(475,168)	(539,914)
Surplus / Deficit for the financial year	-	-

At 31 March 2013, the total capital and reserves of the company was £10 (2012: £10).

8 Staff costs and Trustees' remuneration

a) Staff costs during the year were as follows:	2013	2012
	£	£
Wages and salaries	7,232,094	5,920,568
Social security costs	665,394	530,514
Other pension costs	977,311	799,162
	<u>8,874,799</u>	<u>7,250,244</u>
Temporary staff costs	255,534	419,649
	<u>9,130,333</u>	<u>7,669,893</u>

Notes to the financial statements

For the year ended 31 March 2013

8 Staff costs and Trustees' remuneration (continued)

	2013	2012
b) <u>Staff cost (excl. temporary staff) by function was as follows:</u>	<u>£</u>	<u>£</u>
Research and dissemination of information	6,711,005	5,391,936
Fellowship activities and services	226,989	204,645
Support	1,936,805	1,653,663
	<u>8,874,799</u>	<u>7,250,244</u>

The number of employees who earned £60,000 per annum or more (including taxable benefits but excluding employer pension contributions) during the year was as follows:

	2013	2012
£60,001 - £70,000	10	5
£70,001 - £80,000	7	4
£80,001 - £90,000	-	3
£90,001 - £100,000	2	1
£100,001 - £110,000	-	1
£120,001 - £130,000	1	-

Employer contributions were made to the charity's defined benefit pension schemes for all employees who earned £60,000 or more during the year (as defined above) bar one.

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

	2013	2012
Research and dissemination of information	148	118
Fellowship activities and services	3	3
Support	34	30
	<u>185</u>	<u>151</u>

During the year ended 31 March 2013 expenses of £1,748 (2012: £757) were reimbursed to 5 Trustees (2012: 4 Trustees) for attending Board, Council and Sub-Committee meetings. No Trustees were paid for project based work (2012: Nil).

Notes to the financial statements

For the year ended 31 March 2013

8 Staff costs and Trustees' remuneration (continued)

The Trustees have taken out Trustee indemnity insurance to cover the liability of the Trustees which by virtue of any rule of law would otherwise attach to them in respect of any negligence, default, breach of trust or breach of duty of which they may be guilty in relation to ODI. The premium paid by the charity amounted to £2,414 (2012: £6,095) and provided cover of £1,000,000 (2012: £1,000,000).

9 Net movement in funds

This is stated after charging:	2013	2012
	£	£
Auditor's remuneration		
- Current year audit services – ODI	15,840	15,800
- Prior year audit services – ODI	10,018	-
- Current year audit services – ODI Sales Limited	3,700	4,200
- Prior year audit services – ODI Sales Limited	720	-
- Other audit and accounting services	11,634	15,282
	41,912	35,282
Depreciation	392,189	79,869
Operating lease rentals		
- Premises	638,391	317,545

10 Taxation

The charity is a registered charity and therefore it is not liable for income tax or corporation tax on income derived from its charitable activities, as it falls within the various exemptions available to registered charities.

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

11 Tangible fixed assets

Group and Charity	Leasehold improvements	Computers	Furniture and Fittings	Total
	£	£	£	£
Cost				
At 1 April 2012	222,770	423,296	-	646,066
Additions	1,085,162	76,466	534,515	1,696,143
Disposals	(222,770)	-	-	(222,770)
At 31 March 2013	1,085,162	499,762	534,515	2,119,439
Depreciation				
At 1 April 2012	222,769	250,531	-	473,300
Charge for year	83,753	197,519	110,917	392,189
Disposals	(222,769)	-	-	(222,769)
At 31 March 2013	83,753	448,050	110,917	642,720

Notes to the financial statements
For the year ended 31 March 2013

11 Tangible fixed assets (continued)

	Leasehold improvements	Computers	Furniture and Fittings	Total
	£	£	£	£
Net book values				
At 31 March 2012	1	172,765	-	172,766
At 31 March 2013	<u>1,001,409</u>	<u>51,712</u>	<u>423,598</u>	<u>1,476,719</u>

The depreciation charge in respect to computers includes an impairment provision of £125,377 (2012 : £nil) relating to computer software which has not been utilised to the extent intended when installed.

12 Investments

<u>Group</u>	<u>Total £</u>
Listed investments	
Market value at 1 April 2012	1,693,182
Unrealised investment gains	128,175
Market value at 31 March 2013	<u>1,821,357</u>
<u>Historical cost of listed investments at 31 March 2013</u>	<u>1,373,076</u>

<u>Charity</u>	Shares in subsidiary company	Listed investments	<u>Total £</u>
	£	£	
Market value at 1 April 2012	10	1,693,182	1,693,192
Unrealised investment gains	-	128,175	128,175
Market value at 31 March 2013	<u>10</u>	<u>1,821,357</u>	<u>1,821,367</u>
<u>Historical cost of investments at 31 March 2013</u>	<u>10</u>	<u>1,373,066</u>	<u>1,373,076</u>

At 31 March 2013 listed investments comprised the following holdings in United Kingdom

	<u>£</u>
Charinco accumulation units	<u>1,821,357</u>

At 31 March 2013 the Charity owned the entire called up share capital of ODI Sales Limited, which is incorporated in the UK for the purposes of generating income for the charitable purposes of the Charity. A summary of the financial results of the company is shown in note 7.

Notes to the financial statements
For the year ended 31 March 2013

13 Debtors	Charity	Group	Charity	Group
	2013	2013	2012	2012
	£	£	£	£
Grants receivable and accrued income	5,426,757	6,168,099	4,708,825	5,382,792
Other debtors	252,883	252,883	343,815	343,815
Prepayments	36,774	36,774	78,510	78,509
Amount due from subsidiary	1,084,203	-	748,037	-
	6,800,617	6,457,756	5,879,187	5,805,116

Included within other debtors above is £235,552 (2012 : £250,317) relating to monies forming a bank guarantee. These monies are held by the bank on ODI's behalf in order to secure certain EU grant funding.

14 Creditors	Charity	Group	Charity	Group
	2013	2013	2012	2012
	£	£	£	£
Grants received in advance	5,494,563	5,540,210	4,028,328	4,261,495
Expense creditors	1,447,075	1,500,127	1,135,053	1,191,651
Social security and other taxes	197,539	282,738	172,864	243,883
Accruals and deferred income	658,134	663,084	204,672	215,266
	7,797,311	7,986,159	5,540,917	5,912,295

15 Provision for liabilities and charges

The provision of £180,000 (2012 : £180,000) is in respect to the charity's old premises at 111 Westminster Bridge Road, London.

16 Tangible fixed assets fund	Total
	£
At 1 April 2012	172,766
Transfer from general funds being net movements in year	1,303,953
At 31 March 2013	1,476,719

The tangible fixed assets fund represents the net book value of the tangible fixed assets owned by the Charity. These assets are of fundamental importance to the Charity in carrying out its objectives. As such, a decision was made to separate this fund from general funds in order to demonstrate that the value does not comprise assets that can be realised with ease in order to meet ongoing expenditure.

Notes to the financial statements

For the year ended 31 March 2013

17 Analysis of net assets between funds

Group	General funds and non- charitable trading funds £	Tangible fixed assets fund £	Total funds £
Fund balances at 31 March 2013 are represented by:			
Tangible fixed assets	-	1,476,719	1,476,719
Investments	1,821,357	-	1,821,357
Net current assets	1,173,667	-	1,173,667
Provision for liabilities and charges	(180,000)	-	(180,000)
Total net assets	2,815,024	1,476,719	4,291,743

Charity	General funds and non- charitable trading funds £	Tangible fixed assets fund £	Total funds £
Fund balances at 31 March 2013 are represented by:			
Tangible fixed assets	-	1,476,719	1,476,719
Investments	1,821,367	-	1,821,367
Net current assets	1,173,657	-	1,173,657
Provision for liabilities and charges	(180,000)	-	(180,000)
Total net assets	2,815,024	1,476,719	4,291,743

Included within general funds of both the Group and the Charity are accumulated unrealised gains on listed investments of £448,281 (2012 : £320,106)

18 Lease commitments

At 31 March 2013 the Charity had annual commitments under a non-cancellable operating lease for land and building as set out below:

Group and charity	2013 £	2012 £
Operating leases which expire		
. Within one year	-	92,750
. After five years	668,933	-

Notes to the financial statements

For the year ended 31 March 2013

18 Lease commitments (continued)

The actual payment by the Charity in the year to 31 March 2014 will differ from the charge to the statement of financial activities for the year shown above as a consequence of the lease containing a provision for an initial rent free period.

19 Pensions

Retirement benefits for employees are provided by two independently administered schemes, which are funded by contributions from the employer and employees. Contributions to the schemes are charged to the statement of financial activities so as to spread the cost of the pensions over the employees' working lives.

Under the definitions set out in Financial Reporting Standard 17, Retirement Benefits, both schemes are classed as multi-employer pension schemes. The Institute is unable to identify its share of the underlying assets and liabilities of the schemes. Accordingly, the Institute has taken advantage of the exemption in FRS 17 and has accounted for its contributions to the schemes as if they were defined contribution schemes. The Institute has set out below the latest information available for each scheme.

The Universities Superannuation Scheme (USS)

The Institute participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate fund administered by the trustee, Universities Superannuation Scheme Limited.

The appointment of directors to the board of the trustee is determined by the trustee company's Articles of Association. Four of the directors are appointed by Universities UK ; three are appointed by the University and College Union , of whom at least one must be a USS pensioner member ; and a minimum of three and a maximum of five are independent directors appointed by the board. Under the scheme trust deed and rules, the employer contribution rate is determined by the trustee, acting on actuarial advice.

The latest triennial actuarial valuation of the scheme was at 31 March 2011. This was the second valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. The actuary also carries out regular reviews of the funding levels. In particular, he carries out a review of the funding level each year between triennial valuations and details of his estimate of the funding level at 31 March 2013 are also included in this note.

The triennial valuation was carried out using the projected unit method. The assumptions that have the most significant effect on the result of the valuation are those relating to the rate of return on investments (i.e. the valuation rate of interest) and the rates of increase in salary and pensions and assumed rates of mortality. The financial assumptions were derived from market yields prevailing at the valuation date. An "inflation risk premium" adjustment was also included by deducting 0.3% from the market implied inflation on account of the historically high level of inflation implied by government bonds (particularly when compared to the Bank of England's target of 2% for CPI which corresponds broadly to 2.75% for RPI per annum).

Notes to the financial statements
For the year ended 31 March 2013

19 Pensions (continued)

To calculate the technical provisions, it was assumed that the valuation rate of interest would be 6.1% per annum, salary increases would be 4.4% per annum (with short-term general pay growth at 3.65% per annum and an additional allowance for increases in salaries due to age and promotion reflecting historic scheme experience, with a further cautionary reserve on top for past service liabilities) and pensions would increase by 3.4% per annum for 3 years following the valuation then 2.6% per annum thereafter.

Standard mortality tables were used as follows :

Male members' mortality	S1NA ["light"] YoB tables - No age rating
Female members' mortality	S1NA ["light"] YoB tables - rated down 1 year

Use of these mortality tables reasonably reflects the actual USS experience but also provides an element of conservatism. To allow for further improvements in mortality rates the CMI 2009 projections with a 1.25% pa long term rate were also adopted. The assumed life expectations on retirement at age 65 are :

Males (females) currently aged 65	23.7 (25.6) years
Males (females) currently aged 45	25.5 (27.6) years

At the valuation date, the value of the assets of the scheme was £32,433.5 million and the value of the scheme's technical provisions was £35,343.7 million indicating a shortfall of £2,910.2 million. The assets therefore were sufficient to cover 92% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The actuary also valued the scheme on a number of other bases as at the valuation date. On the scheme's historic gilts basis, using a valuation rate of interest in respect of past service liabilities of 4.4% per annum (the expected return on gilts) the funding level was approximately 68%. Under the Pension Protection Fund regulations introduced by the Pensions Act 2004 the scheme was 93% funded; on a buy-out basis (ie assuming the Scheme had discontinued on the valuation date) the assets would have been approximately 57% of the amount necessary to secure all the USS benefits with an insurance company; and using the FRS17 formula as if USS was a single employer scheme, using a AA bond discount rate of 5.5% per annum on spot yields, the actuary estimated that the funding level at 31 March 2011 was 82%.

As part of this valuation, the trustees have determined, after consultation with the employers, a recovery plan to pay off the shortfall by 31 March 2021. The next formal triennial actuarial valuation is as at 31 March 2014. If experience up to that date is in line with the assumptions made for this current actuarial valuation and contributions are paid at the determined rates or amounts, the shortfall at 31 March 2014 is estimated to be £2.2 billion, equivalent to a funding level of 95%. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently.

The technical provisions relate essentially to the past service liabilities and funding levels, but it is also necessary to assess the ongoing cost of the newly accruing benefits. The cost of future accrual was calculated using the same assumptions as those used to calculate the technical provisions but the allowance for promotional salary increases was not as high.

Notes to the financial statements
For the year ended 31 March 2013

19 Pensions (continued)

Analysis has shown very variable levels of growth over and above general pay increases in recent years, and the salary growth assumption built into the cost of future accrual is based on more stable, historic, salary experience. However, when calculating the past service liabilities of the scheme, a cautionary reserve has been included, in addition, on account of the variability mentioned above.

As at the valuation date the Scheme was still a fully Final Salary Scheme for future accruals and the prevailing employer contribution rate was 16% of salaries.

Following UK government legislation, from 2011 statutory pension increases or revaluations are based on the Consumer Prices Index measure of price inflation. Historically these increases had been based on the Retail Prices Index measure of price inflation.

Since the valuation effective date there have been changes to the benefits provided by the scheme although these became effective from October 2011.

These include:

- Other than in specific, limited circumstances, new entrants are now provided on a Career Revalued Benefits (CRB) basis rather than a Final Salary (FS) basis.
- The normal pension age was increased for future service and new entrants, to age 65.
- Flexible retirement options were introduced.
- Contributions were uplifted to 7.5% p.a. and 6.5% p.a. for FS section members and CRB section members respectively.
- If the total contribution level exceeds 23.5% of salaries per annum, the employers will pay 65% of the excess over 23.5% and members would pay the remaining 35% to the fund as additional contributions.
- For service derived after 30 September 2011, USS will match increases in official pensions for the first 5%. If official pensions increase by more than 5% then USS will pay half of the difference up to a maximum increase of 10%.

The actuary has estimated that the funding level as at 31 March 2013 under the scheme specific funding regime had fallen from 92% to 77%. This estimate is based on the results from the valuation at 31 March 2011 allowing primarily for investment returns and changes to market conditions. These are cited as the two most significant factors which have been taken into account for the 31 March 2013 estimation.

On the FRS17 basis, using an AA bond discount rate of 4.2% per annum based on spot yields, the actuary calculated that the funding level at 31 March 2013 was 68%. An estimate of the funding level measured on a historic gilt basis at that date was approximately 55%.

Surpluses or deficits which arise at future valuations may impact on the Institute's future contribution commitment. A deficit may require additional funding in the form of higher contribution requirements, where a surplus could, perhaps, be used to similarly reduce contribution requirements.

The sensitivities regarding the principal assumptions used to measure the scheme liabilities on a technical provisions basis as at the date of the last triennial actuarial valuation are set out below :

Notes to the financial statements

For the year ended 31 March 2013

19 Pensions (continued)

<i>Assumption</i>	<i>Change in assumption</i>	<i>Impact on shortfall</i>
Investment return	Decrease by 0.25%	Increase by £1.6 billion
The gap between RPI and CPI	Decrease by 0.25%	Increase by £1 billion
Rate of salary growth	Increase by 0.25%	Increase by £0.6 billion
Members live longer than assumed	1 year longer	Increase by £0.8 billion
Equity markets in isolation	Fall by 25%	Increase by £4.6 billion

USS is a "last man standing" scheme so that in the event of the insolvency of any of the participating employers in USS, the amount of any pension shortfall (which cannot otherwise be recovered) in respect of that employer will be spread across the remaining participant employers and reflected in the next actuarial valuations of the scheme.

The trustee believes that over the long-term equity investment and investment in selected asset classes will provide superior returns to other investment classes. The management structure and targets set by the trustee are designed to give the fund a significant exposure to equities that are diversified both geographically and by sector. The trustee recognises that, putting the issue of the USS fund's size and scale to one side for the moment, it might be theoretically possible to select investments broadly similar to the estimated liability cash flows.

However, in order to meet the long-term funding objective within a level of contributions that it considers the sponsoring employers would be willing to make, it is necessary and appropriate for the trustee to take on a degree of investment risk relative to the liabilities. This taking on of investment risk seeks to target a greater return than the matching assets would provide whilst maintaining a prudent approach to meeting the fund's liabilities. Before deciding what degree of investment risk to take relative to the liabilities, the trustee receives advice from its internal investment team, its investment consultant and the scheme actuary, and importantly considers the ability of the sponsoring employers to support the scheme if the investment strategy does not deliver the expected returns.

The positive cash flow of the scheme means that it is not necessary to realise investments to meet liabilities, and the scheme actuary has confirmed that this is likely to remain the position for the next ten years or more. The trustee believes that this, together with the ongoing flow of new entrants into the scheme and most critically the ability of the employers to provide additional support to the scheme should additional contributions be required, enables it to take a longer-term view of its investments.

Some short-term volatility in returns can be tolerated and need not feed through immediately to the contribution rate. However, the trustee is mindful of the difficult economic climate which exists for defined benefit pension schemes currently, and the need to be clear about the responses that are available should the deficits persist and a revised recovery plan becomes necessary following the next actuarial valuation of the scheme as at March 2014.

Notes to the financial statements
For the year ended 31 March 2013

19 Pensions (continued)

The trustee is making preparations ahead of the next valuation to compile a formal financial management plan, which will bring together - in an integrated form - the various funding strands of covenant strength, investment strategy and funding assumptions, in line with the latest guidance from the Pensions Regulator.

As at 31 March 2013, USS had over 145,000 active members and the Institute had 105 members participating in the scheme. The total pension costs for the Institute under this scheme were £773,334 (2012: £626,748).

Superannuation arrangements of the University of London (SAUL)

The Charity also participates in the Superannuation Arrangements of the University of London "(SAUL)", which is a centralised defined benefit scheme and is contracted-out of the Second State Pension. SAUL is a "last man standing" scheme so that in the event of the insolvency of any of the participating employers in SAUL, the amount of any pension funding shortfall (which cannot otherwise be recovered) in respect of that employer will be spread across the remaining participant employers and reflected in the next actuarial valuation. A formal valuation of SAUL is carried out every three years by professionally qualified and independent actuaries using the Projected Unit method. Informal reviews of SAUL's position are carried out between formal valuations.

The Charity participates in a centralised defined benefit scheme for all qualified employees with the assets held in separate Trustee-administered funds. The Charity has now adopted FRS17 for accounting for pension costs. It is not possible to identify the share of the underlying assets and liabilities of SAUL. Therefore contributions are accounted for as if SAUL were a defined contribution scheme and pension costs are based on the amounts actually paid (ie cash amounts) in accordance with paragraphs 8 – 12 of FRS17.

SAUL is subject to triennial valuations by professionally qualified and independent actuaries. The last available valuation was carried out as at 31 March 2011 using the projected unit credit method in which the actuarial liability makes allowance for projected earnings. The main assumptions used to assess the technical provisions were:

	31 March 2011
Discount rate	
- pre-retirement	6.80% p.a.
- post-retirement	4.70% p.a.
General* Salary Increases	3.75% p.a. until 31 March 2014,
Retail Prices Index inflation ("RPI")	3.50% p.a.
Consumer Price Index Inflation ("CPI")	2.80% p.a.
Pension Increases in payment (excess over	2.80% p.a.
Mortality – base table	SAPS Normal (year of birth) tables with an age rating of +0.5 years for males and -0.4 years for
Mortality – future improvements	Future improvements in line with CMI 2010 projections with a long term trend rate of 1.25% p.a.

*an additional allowance is made for promotional Salary increases

Notes to the financial statements

For the year ended 31 March 2013

19 Pensions (continued)

The actuarial valuation applies to SAUL as a whole and does not identify surpluses or deficits applicable to individual employers. As a whole, the market value of SAUL's assets was £1,506 million representing 95% of the liability for benefits after allowing for expected future increases in salaries.

Based on the strength of the Employer covenant and the Trustee's long-term investment strategy, the Trustee and the Employers agreed to maintain Employer and Member contributions at 13% of Salaries and 6% of Salaries respectively following the valuation. The above rates will be reviewed when the results of the next formal valuation (as at 31 March 2014) are known.

A comparison of SAUL's assets and liabilities calculated using assumptions consistent with FRS17 revealed SAUL to be in deficit at the last formal valuation date (31 March 2011). As part of this valuation, the Trustee and Employer have agreed that no additional contributions will be required to eliminate the current shortfall.

The more material changes (the introduction of a Career Average Revalued Earnings, or "CARE", benefit structure) to SAUL's benefit structure applies from 1 July 2012. As a consequence, the cost of benefit accrual is expected to fall as existing final salary members are replaced by new members joining the CARE structure. This will allow an increasing proportion of the expected asset return to be used to eliminate the funding shortfall. Based on conditions as at 31 March 2011, the shortfall is expected to be eliminated by 31 March 2021, which is 10 years from the valuation date.

The total pension costs for the Institute under this scheme were £203,977 (2012 : £172,414). The contribution rate payable by the Charity was 10.5% of pensionable salaries.

