

Institute for
Fiscal Studies

Executive Committee Report and Financial Statements

Year ended 31 December 2015



The Institute for Fiscal Studies

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

Company Registration Number: 954616

Registered Charity: 258815

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Company information

Company registered office

7 Ridgmount Street
London
WC1E 7AE

Company registered number

954616

Registered charity

258815

Company bankers

National Westminster Bank plc
City of London Office
1 Princes Street
London EC2R 8PA

Auditors

BDO LLP
55 Baker Street
London W1U 7EU

Solicitors

Penningtons Manches Solicitors LLP
Abacus House
33 Gutter Lane
London EC2V 7AW

Objectives and activities

The Executive Committee presents the report and financial statements of the Institute for Fiscal Studies for the year ended 31 December 2015.

The objects of the Institute

The objects of IFS are the advancement of education, for the benefit of the public, by promotion on a non-political basis of the study and discussion of, and the exchange and dissemination of information and knowledge concerning, the economic and social effects and influences of:

- existing taxes;
- proposed changes in fiscal systems; and
- other aspects of public policy,

in each case whether in the United Kingdom or elsewhere in the world.

So as to advance this objective, IFS expects to retain the right to publish its reports openly in order to inform public debate and policymaking. As such, in February 2001, the Executive Committee reiterated its commitment to this policy (see www.ifs.org.uk/about/guidelines.pdf). The Members of the Executive Committee confirm that they have complied with the duty in Section 17 of the Charities Act 2011 and have taken due regard of the Charity Commission's general guidance on public benefit. Examples of how the Institute has aimed to meet its public benefit are given

in the review of 2015, where the Institute's achievements are reported.

Strategic framework

IFS operates within a strategic framework agreed by the Executive Committee in 2005. The six areas covered by the framework are maintaining excellence in research, preserving independence and impartiality in policy analysis, engaging with a wide range of stakeholders, financial viability and good management, good governance, and supporting Institute Members. The framework can be found on the IFS website at www.ifs.org.uk/about/strategy.pdf.

How has the Institute tried to further these aims?

During the year, the Institute has carried out a wide range of research and has publicised the resulting findings as widely as possible through publications, conference participation, on its own website and in the media. The Institute does not set out to fulfil specific metrics. Although during the year we have, for example, published a large number of articles in key economic journals and have made numerous appearances in the print and broadcast media, we believe that success lies in the academic quality of our research and the efficacy with which our findings have informed the public debate. The following pages outline how this has been done.

Review of 2015

Achievements, performance and impact

IFS aims to carry out and publish high-quality, policy-relevant research in order to inform the public debate amongst a wide audience, producing reports tailored to different groups and contributing to public policy debate in different arenas.

IFS has worked on 110 funded research projects during 2015 (132 in 2014). This year, 36 (last year, 32) research projects have been completed with final reports provided to funders. IFS has also produced an additional range of outputs.

IFS played an important role during the run-up to and aftermath of the general election. The Institute was honoured again with the 'Think Tank of the Year' award by *Prospect Magazine*. The award was given to the Institute for the second year in a row, the first time that this has happened. One of the judges, the distinguished economist George Magnus, commended IFS for its contribution to the election debate 'for throwing a light into plenty of dark spaces.'

Some key IFS outputs and achievements in the year are shown and described below.

Election analysis

Our aim was to inform the election debate. A number of the main outcomes of our analysis were taken up widely in the public debate: that there were clear differences between the parties' fiscal plans; that all parties were leaving voters somewhat in the dark; our evidence on the debate about living standards since the financial crisis; and our assessments of the level of austerity implied by the SNP's tax and spending plans and what full fiscal autonomy might mean for a fully devolved Scotland's budget deficit.

2015 events summary

IFS organised 29 conferences and briefings and 42 seminars, attended by an audience of policymakers, journalists, practitioners and academics. Staff took part in many more external events to different audiences across the UK and abroad.

In addition, 16 training courses, 28 seminars, 8 masterclasses and 3 workshops were held under the auspices of the Centre for Microdata Methods and Practice (cemmap). An additional 4 international workshops were co-funded by cemmap. IFS staff continue to serve on a range of committees and editorial boards, to give evidence to select committees and to advise on policy issues wherever possible. Meetings were held with senior representatives from the IMF, Mexican and Japanese governments and the Inter-American Development Bank advisory board.

IFS researchers held briefings to launch key pieces of research on a wide range of topics and participated in numerous external events aimed at academics, policymakers, journalists and the business community.



This demonstrates significant impact during the election campaign – that the evidence, analysis and insight we offered throughout helped in the scrutiny of policy and claims made by the parties.

For the first time, we created a separate IFS election website to host all of our election analysis, publications and updates: <http://election2015.ifs.org.uk/>. This had summary pages covering 14 different areas of public policy and was updated as we published new election analysis and to add comments where our expertise could shed light on aspects of the debate. Between the start of the year and the end of May, the election site had over 50,000 visitors – roughly one-fifth of what the main IFS website saw in the same period.

We published 13 detailed briefing notes on different policy areas, starting just before Christmas 2014 and finishing at the end of April towards the end of the election campaign. Some of these looked back at the coalition government’s record, some looked forward to challenges for the new government, some contrasted the parties’ plans and some

were published in response to specific policy announcements during the campaign. We also published 14 Observation articles – online articles that are shorter and more descriptive.

We held two media briefings on the parties’ manifestos. These briefings were attended by around 50–60 journalists and were streamed live online. In addition, all of our Observation articles were sent to media lists of several hundred economics, politics and social affairs journalists and other correspondents. As well as proactively publicising our election analysis, we responded to hundreds of media enquiries and interview requests over this period. During the period of the election campaign proper, from 30 March to 7 May, IFS staff took part in 116 interviews, there were over 1,000 mentions of the IFS in print, over 4,500 mentions online and over 2,300 broadcast mentions.

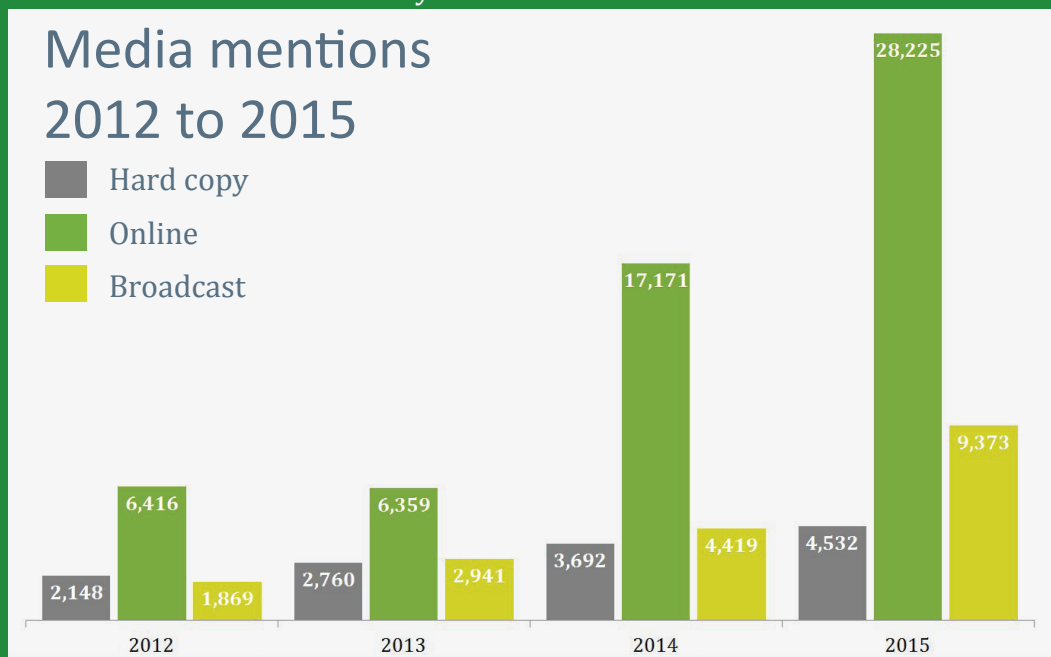
2015 media summary

Much IFS work has been widely reported in the media and referred to frequently in Parliament. Independent monitoring statistics show that IFS

work was cited 9,373 (2014: 4,419) times on radio and television and that we were mentioned 4,532 (2014: 3,692) times in the printed press and 28,225 (2014: 17,171) times in the online press.

IFS held post-Budget and pre-election briefings attended by 175 delegates and streamed live. Throughout the election campaign,

researchers gave interviews to BBC television, BBC Radio 4, 5 and 2, ITV News, Channel 4 and Sky News.



We also had profiles of IFS published in *The Times*, in *The Guardian*, on Radio 5 Live and elsewhere.

We used our Twitter stream (@TheIFS) to highlight publications, analysis and some of our graphs. We added over 2,000 followers in the months of February, March and April. In January, we tweeted just 14 times and were mentioned 496 times on Twitter. In April, we tweeted 54 times and were mentioned 17,400 times. A fifth of the traffic on our election website came from social media.

We produced an online tool ahead of the Budget in which users could be the Chancellor, deciding how much they'd be happy borrowing, increasing taxes or reducing spending in government departments.

Finally, several of the election briefing notes were published in a special issue of *Fiscal Studies* in September – bringing IFS's 2015 election analysis to a close with a formal academic record of the work.

Public finances and Budget analysis

As ever, Institute researchers responded to policy announcements and held briefings on the March and July Budgets, Spending Round and Autumn



Public Finances

Deficit cut by half but next government will still have a big job to do

A hole in the public finances opened up from 2008, after the financial crisis and associated recession. As national income fell, tax receipts fell even faster. Spending that was fixed in cash terms shot up as a share of national income. In 2009–10 government borrowing was 10.2% of national income. Worse still, most of the resulting increase in borrowing was thought to reflect a *permanent* hole in the public finances, i.e. borrowing that would not disappear as the economy recovered. With no policy action, debt would have been on an unsustainable path.

As a share of national income, by 2014–15 the deficit was half that in 2009–10, and the latest forecasts suggest that the government will be running a surplus of 1.0% of national income by 2019–20. However, as shown in Figure 1, things have not gone completely to plan. Back in June 2010 the Coalition expected borrowing to fall much more quickly after 2011–12 and the deficit this year is projected to be more than twice as high as was forecast in June 2010.

Figure 1. Public Sector Net Borrowing – as forecast in 2010 and 2014 [get the data for this graph]

Year	Budget March 2010	Budget June 2010	Autumn Statement December 2014	Autumn Statement December 2014 (ESA95)
2008	0.0	0.0	0.0	0.0
2009	10.2	10.2	10.2	10.2
2010	10.2	10.2	10.2	10.2
2011	8.0	8.0	8.0	8.0
2012	6.0	6.0	6.0	6.0
2013	4.0	4.0	4.0	4.0
2014	2.0	2.0	2.0	2.0
2015	1.0	1.0	1.0	1.0
2016	1.0	1.0	1.0	1.0
2017	1.0	1.0	1.0	1.0
2018	1.0	1.0	1.0	1.0
2019	1.0	1.0	1.0	1.0
2020	1.0	1.0	1.0	1.0

The Institute's 2015 election analysis website

Statement. We also held events at the party conferences for the Conservatives, Labour and the Liberal Democrats. The events focused on tax and spending choices for the next parliament.

IFS published its Green Budget in February, with the pre-release of the chapter on living standards at the end of January to ensure maximum impact. Analysis this year covered the public finances, earnings since the recession, cuts to spending and in particular challenges for spending on health and social security, and options for increasing tax.

The launch event was attended by 400 conference delegates; these included policymakers, journalists,

business people and academics. The publication was downloaded 15,182 times during the first week and the presentation slides were viewed 1,889 times. On Twitter, we circulated highlights to our 13,238 followers. They were viewed 56,072 times on Green Budget day and retweeted 160 times that day.

Devolution, regions and local government

IFS analysis of Scotland's fiscal position, further devolution for Scotland and the potential impact of full fiscal autonomy has become integral to the political discourse, media reporting and public debate more widely.

We published four online articles on Scotland's fiscal position in reaction to new figures and events in the election campaign – each of which has seen significant media coverage and comment.

According to our media monitoring service, there were well over 60 articles in the main newspapers in Scotland and Scottish editions of UK papers alone, including eight front pages. Several figures that we produced were very widely cited, in particular calculations of the size of the extra deficit that full fiscal autonomy could leave in the Scottish government's budget.

Our analysis has also been quoted widely by many politicians – during the election campaign, at Holyrood and at Westminster. IFS numbers on full fiscal autonomy came up during the Scottish leaders' debates in the election campaign, have been regularly quoted in First Minister's questions and were used in debating the Scotland Bill in the House of Commons.

A report was also produced for the Welsh Government, examining the impact of the changes to the tax and benefit system to be introduced by the UK Government between April 2015 and April 2019 in Wales and comparing this with average impacts across the whole UK.

2015 publications summary

With an academic audience in mind, during the year 28 (2014: 66) articles were published in peer-reviewed journals and 33 (2014: 34) IFS working papers were produced. Over 170 (2014: 196) papers and talks were given by IFS researchers over the year to both academic and policy audiences.

In addition to our quarterly journal *Fiscal Studies*, which publishes papers on applied public economics, IFS staff produced 45 (2014: 42) non-academic reports and briefing notes. Researchers published 41 (2014: 27) short policy-related topical briefings ('Observations') online throughout the year. These have been syndicated via RSS and Atom feeds and have been widely used, in both the traditional media and the blogosphere.

During 2015, an election website was launched to make our election analysis available to a wider group of users. The Institute is increasingly making use of Twitter to publicise its research directly to the public. At the end of 2015, IFS had 17,767 followers (end of 2014: 12,840).

At a local level, researchers have been involved in evaluating programmes trialled by local councils. In Lambeth, we worked with the council to design an evaluation of the best ways to get citizens involved in the delivery of public services. This led to a trial of a 'Street Champions' scheme, where individual volunteers sought to engage other residents on their street in improving the cleanliness of the street. This trial is now complete and we are using the Impact Acceleration Account, awarded by the ESRC, to further engage with the council on the policy implications for Lambeth and other councils. Other achievements of this work include greater knowledge of the way local government works for

IFS researchers and a greater understanding by the council of how to robustly trial new policy ideas.

In Peterborough, we have worked with the council to design a trial of an intensive health-visiting programme aimed at improving early child development in deprived areas. The design is now complete and we have recently submitted a proposal to the ESRC to co-fund the costs of the intervention and evaluation.

Living standards

IFS published its detailed annual report on living standards, poverty and inequality in the UK, funded by the Joseph Rowntree Foundation, in July. The report was presented at an event hosted at IFS. Around 60 delegates attended from government, the charity sector, academia and independent research organisations.

Following the July Budget from the new Conservative government, a report was published outlining the impact of proposed tax, benefit and minimum wage reforms on household incomes and work incentives.

Education

Research led to a report estimating the cost to government of providing undergraduate higher education. It illustrated the sensitivity of our estimates to changes in the underlying assumptions and examined the financial and distributional implications of various changes that had been proposed to the system. It also provided new estimates of the likely cost to government of offering a £10,000 loan to postgraduate students, as proposed in Autumn Statement 2014.

Work published in November found that all ethnic minority groups in England were now, on average, more likely to go to university than their white British peers. This was the case even amongst groups who were previously under-represented in

higher education, such as those of black Caribbean ethnic origin, a relatively recent change. The research, funded by the Department for Business, Innovation and Skills, received wide coverage in the media.

We also published a report, funded by the Social Mobility Foundation, evaluating a programme aimed at encouraging participation in higher education among high-attaining pupils from disadvantaged backgrounds.

Retirement and saving

The accumulation (and ‘decumulation’) of wealth is a process that has come increasingly under the spotlight in recent years. There is growing policy and societal interest in understanding when, how and why households are building up (and spending down) wealth, how this differs between different types of households, and how this process has changed over time and might continue to change in future.

Despite this interest, existing evidence for the UK is relatively limited – largely because until recently there has been a lack of good data on wealth holdings of individual households. The authors of an IFS report on the evolution of wealth aimed to considerably improve understanding of these issues by using new data from the Wealth and Assets Survey (WAS). This is a panel survey that interviews the same households every two years and collects detailed data on households’ wealth (in particular, the level of wealth held in many different types of assets). To date, there are three ‘waves’ of data available, from interviews conducted in 2006–08, 2008–10 and 2010–12.

Tax, incomes and labour supply

In June, an event was organised jointly with the Chartered Institute of Taxation to look at how the government could improve the tax system and what

its priorities should be. Held at the Royal Society of Arts, the event took the form of a debate involving a panel of leading economists.

A report and briefing note were released about reductions in social rents, which were announced in the July Budget. The research looked at who would benefit and who would lose from the reforms and what the impact might be on work incentives. Most of those renting their home from councils or housing associations have low incomes and hence receive housing benefit to cover all or part of their rent. Entitlement to housing benefit will typically be reduced pound-for-pound as their rent falls. The reduction in housing benefit will save the exchequer money, and will strengthen tenants' work incentives as they have less means-tested support to lose by entering work or increasing their earnings. Social landlords – housing associations and local authorities – will lose money. Authors presented their findings: at the Stock Retaining Authorities' conference, organised by HouseMark in association with the Association of Retained Council Housing; at an Inside Housing and Social Housing spending review briefing; to the Greater London Authority; and at a briefing held at IFS to launch the research.

A conference organised with the European Tax Policy Forum saw a range of presentations of research into tax competition in Britain and Europe. Speakers included David Gauke MP, Financial Secretary to the Treasury.

Policy evaluation in developing countries

IFS has an expanding research programme (the Centre for the Evaluation of Development Policies) looking at public policy in developing countries.

In June, a large conference was held on 'Improving productivity in developing countries: identifying bottlenecks and obstacles to productive investments and technology adoption'. The plenary speakers were Pascaline Dupas (Stanford), Eliana La Ferrara (Bocconi), Imran Rasul (University College London and IFS) and Mark Rosenzweig (Yale). The conference attracted a range of academics, people from NGOs and policymakers from the UK and overseas. IFS researchers wrote three notes about some of the key findings, aiming them at a non-academic audience. These were circulated at the conference and in an online newsletter, and were published on the IFS website.

Plans for 2016

The following major projects are planned for 2016. Whilst planned research projects are in place year on year, it is also essential that there is flexibility to respond to policy proposals and events. Funding for our ESRC Centre makes this possible.

New ESRC Centre: IFS secured renewed funding from the Economic and Social Research Council for the ESRC Centre for Microeconomic Analysis of Public Policy. The funding commenced in October 2015 and is for five years. The Centre is directed by Richard Blundell, with co-direction from Orazio Attanasio, James Banks, Ian Crawford, Eric French, Rachel Griffith and Imran Rasul.

TAXDEV: Funding has been received from the Department for International Development, initially for a two-year grant for research into tax systems in developing countries. We will be working with governments in Ethiopia and Ghana to help shape and implement efficient tax systems. Research will also be carried out in other countries over the life of the grant.

EU referendum: We received funding as part of the ESRC's project 'The UK in a changing Europe', to look at the fiscal implications of remaining in or leaving Europe. Work at IFS will be published in a brief guide to the EU budget with an interactive online tool and a report on the putative impact on the UK's public finances.

Conferences: We will hold our biennial residential conference in September 2016, focusing on corporate tax policy. The event will be held in Oxford over three days and will bring together academics and policymakers to discuss high-level questions relating to the taxation of companies.

Impact: IFS has funding from the ESRC over the next five years to increase its impact. This is to be spent on individual projects and on making our content more accessible – for example, through better data visualisation, streaming and recording events and presentations, and improving the accessibility of our website. Resources will also be directed towards developing research and administrative staff to build skills to encourage impact in the future.

Strategic report

Financial review

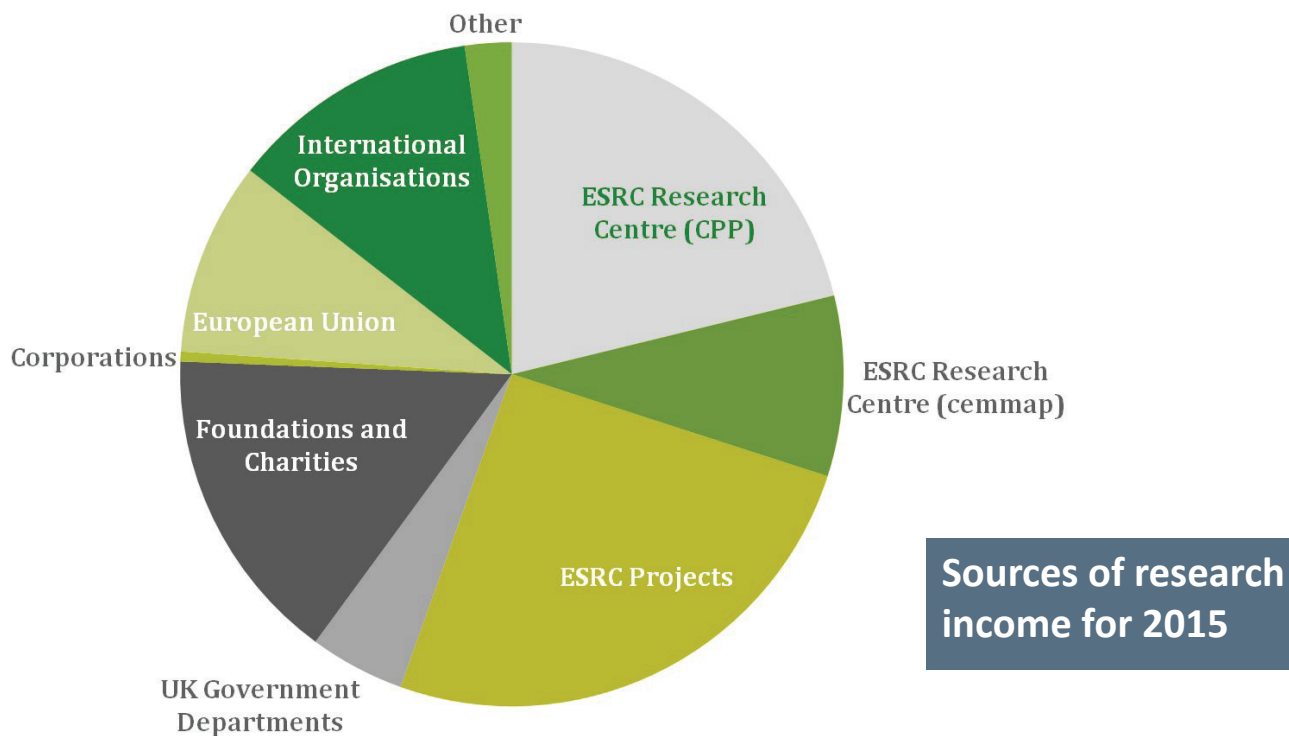
The results for the year are presented in the Statement of Financial Activities on page 19 and show an increase in both income (2.4%) and expenditure (2.4%) compared with 2014.

The Statement of Financial Activities shows that an overall surplus of £68,376 was made in 2015 (£70,354 in 2014), representing investment income of £14,216 (2014: £18,415) and a surplus on operating activities of £54,160 (2014: £51,939).

The Institute attempts to raise its research funds from a range of organisations so that it is not dependent upon a single source of funding.

Although 55% was provided by the Economic and Social Research Council (54% in 2014), this funding covers a wide range of projects. With regard to its publishing and mainstream conference activities, the Institute aims to keep prices as low as possible to maximise public access to its findings.

The investment policy of the Executive Committee has been to invest cash reserves in interest-bearing accounts and not to risk any of the principal. At the end of the year, £1,219,098 was held in a COIF Charities Deposit Fund (2014: £1,213,627) and £500,000 in a CAF Bond held with Principality Building Society (2014: £500,000).



Reserves policy

The Reserves Policy of the Institute is twofold: first, to hold funds for working capital purposes and as a contingency, should sufficient new funding not emerge or should existing contracts be cancelled; and second, to reflect the net book value of fixed assets.

As at 31 December 2015, the Institute's total reserves were £2,107,436 (2014: £2,039,060), comprising the General Fund of £2,058,690 (2014: £1,971,941) and the Fixed Asset Reserve of £48,746 (2014: £67,119).

The General Fund reflects the Institute's net current assets and is considered to be the amount of reserves that could be easily converted to cash, should the need arise. The target is for the General Fund to be maintained at a level to cover up to six months' expenditure (excluding direct project costs). The Trustees wish to continue to raise modest surpluses so that the General Fund meets this target.

A Fixed Asset Reserve was established in 2010 such that this Reserve would be equivalent in value to the net book value of the Institute's fixed assets. The value of our fixed assets was lower at year-end than at the beginning of the year and so the reserve has been decreased accordingly, following a transfer to the IFS General Fund. The Reserves Policy is subject to active review in the light of prevailing circumstances.

As at 31 December, the General Fund comprised:

	2015	2014
	£	£
Investments	1,719,098	1,713,627
Bank accounts	1,786,289	2,875,281
Less net grants received in advance	(835,614)	(1,863,302)
Cash holdings (excluding net project grants received in advance)	2,669,773	2,725,606
Other working capital	(611,083)	(753,665)
General Fund	2,058,690	1,971,941
No. of months of forecast expenditure (excluding direct project costs)	4.3 months	4.3 months
Target level for the General Fund: (6 months' forecast expenditure, excluding direct project costs)	£2.9m	£2.8m

Principal risks and uncertainties

The Executive Committee has overall responsibility for ensuring that the Institute has appropriate systems of control, both financial and operational. These systems are designed to provide reasonable, but not absolute, assurance against material misstatement or loss.

During the year, the Executive Committee continued to review the major financial and operational risks facing the Institute. It continues to monitor, on an annual basis, the implementation of any changes necessary to ensure that, as far as is reasonable, controls are in place to protect the Institute, its Members, its staff, the general public and other stakeholders.

The primary risks relate to financial issues and in particular to the reliance on the Economic and Social Research Council (ESRC) for a large proportion of the Institute's research funds (see Financial Review on page 12). However, this funding represents a mix of long-term and short-term funding, which reduces the immediate risk. Additionally, a significant proportion of our staffing costs relate to staff from UK universities whose funding is explicitly aligned with ESRC funding, meaning that these costs can be reduced

or terminated in line with the funding stream. The Institute continues to seek to diversify its funding sources in order to spread the risk.

Another key risk is in relation to our people and the risk of losing key staff. We attach a high priority to supporting our staff in developing their skills, whether through further study or by giving them opportunities to get involved with all aspects of research and communication throughout their careers. New Research Economists are provided with mentors and are given the opportunity to take on managerial responsibility as and when they are ready. Staff representatives, elected by peers, include in their remit the discussion of staffing issues with senior management. Regular reviews of selection procedures and conditions of service take place, together with periodic monitoring of salaries offered elsewhere. Staffing requirements are planned as far in advance as possible and good relationships are maintained with top universities and institutions, both in the UK and overseas.

IFS is a leading academic institute, and maintaining the quality of our research is an imperative. Quality assurance procedures are in place that require the involvement of senior staff for all projects. Staff adhere to the IFS code of good practice in research, the SRA ethical guidelines, and rulings of the UCL Ethics Committee. There is regular discussion of ongoing research at senior management meetings, and in addition the Advisory Boards for the ESRC Centres have oversight of the Centres' research programmes.

Governance and management

Constitution

The Institute for Fiscal Studies (IFS) was incorporated by guarantee on 21 May 1969. It has no share capital and is a registered charity. The guarantee of each Member is limited to £1. The governing document is the Memorandum and Articles of Association of the company and Members of the Executive Committee are the Directors of the company. At the end of November 2015, the number of guarantors was 474 (483 at the end of November 2014).

Members of the Executive Committee

The Executive Committee, which is made up of the Trustees of the Institute, is established by the IFS Council. The Members of the Council are elected by Members of the Institute in General Meeting. The Executive Committee met four times during the year. Committee membership during 2015 was:

- Jonathan Athow
- James Bell, appointed November 2015
- Frances Cairncross (Chair), resigned November 2015
- John F. Chown
- Margaret Cole
- Chris Davidson
- Will Hopper, resigned September 2015
- Denise Lievesley
- Rachel Lomax, resigned November 2015
- Ian Menzies-Conacher (Honorary Company Secretary)

- David Miles (Chair – appointed September 2015)
- Gus O'Donnell, appointed November 2015
- Mark Robson
- Nicholas Timmins, appointed November 2015

Induction and training of Trustees

A programme of training and induction of Trustees was developed during 2004 and approved by the Executive Committee. Trustees are kept up-to-date with IFS research by a rolling programme of research presentations made at each meeting of the Executive Committee.

Organisational structure of the Institute and the decision-making process

The overall management of IFS is carried out by the Director, Paul Johnson, who reports to the Trustees on a quarterly basis. The Director is part of the Senior Management Team of the Institute, which in 2015 comprised the Director, Paul Johnson, the Deputy Director, Carl Emmerson, and the Research Director, Professor Sir Richard Blundell.

The operational responsibilities of the Institute are delegated via a 'Scheme of Delegation' to the Director of the Institute, who in turn delegates various duties to senior staff.

The Institute employed directly an average of 83 (2014: 81) full- and part-time staff based at its offices in London. Research staff are divided into sectors, and a small core of administrative and secretarial staff provide support facilities.

The Institute also employed indirectly 24 (2014: 24) senior academic staff based at UK universities

on a part-time basis. In addition, a number of other academics from both UK and overseas institutions work with the staff as Research Fellows and Research Associates on an *ad hoc* collaborative basis.

Remuneration policy

The salary of the Director is determined by the Executive Committee when renewing his contract and is normally adjusted each year for a cost-of-living adjustment, in line with salaries across the Institute. The pay of all other staff, including the

Deputy Director, is reviewed by the Director and other members of senior management annually and is also usually increased by a cost-of-living adjustment. From time to time, the salary scales of the Institute are benchmarked against comparable organisations. In 2015 the services of the Research Director (0.5 FTE) were provided by UCL under a contract that reimburses UCL for 50% of his salary, National Insurance and pension costs. The contract provides for nationally agreed cost-of-living increases, unless otherwise agreed. Further details on these amounts are included in note 6 to the accounts.

Trustees' responsibilities

The Trustees are responsible for preparing the Trustees' annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland').

Company law requires the Trustees to prepare financial statements for each financial year. 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 income and expenditure, of the charity for the year. In preparing those financial statements, the Trustees are required to:

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

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charity's transactions, to disclose with reasonable accuracy at any time the financial position of the charity and

to enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

So far as each of the Trustees at the time the report is approved are aware:

- there is no relevant audit information of which the auditors are unaware; and
- they have taken all the steps they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The Trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charity's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

By order of the Executive Committee



David MILES

Chair of the Executive Committee

11 July 2016

Auditor's report

Independent auditor's report to the Members of the Institute for Fiscal Studies

We have audited the financial statements of the Institute for Fiscal Studies for the year ended 31 December 2015 which comprise the Statement of Financial Activities, the Balance Sheet, the Statement of Cash Flows 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), including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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

As explained more fully in the Statement of Trustees' Responsibilities, the Trustees (who are also the directors of the company for the purposes of company law) 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 Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial

statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the charity's affairs as at 31 December 2015 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Executive Committee Report, which includes the strategic 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.

Fiona Condrón, Senior Statutory Auditor, for and on behalf of BDO LLP, Statutory Auditor

Gatwick, United Kingdom

Date: 11 July 2016

BDO LLP

Financial reports

Statement of Financial Activities Year ended 31 December 2015

	Notes	2015	2014
		£	£
Income:			
Income from charitable activities:			
Research activities		7,299,090	7,060,254
Membership subscriptions	2	107,504	103,655
Publication sales		35,834	67,057
Conference income		97,211	103,578
Miscellaneous income		32,365	55,791
Investment income		14,216	18,415
Total income		7,586,220	7,408,750
Expenditure:			
Charitable activities	5	7,517,844	7,338,396
Total expenditure		7,517,844	7,338,396
Net income		68,376	70,354
Net movement in funds		68,376	70,354
Reconciliation of funds:			
Total funds brought forward		2,039,060	1,968,706
Total funds carried forward		2,107,436	2,039,060

There were no other recognised gains or losses other than the net incoming resources for the year. All amounts relate to continuing operations.

Balance Sheet

Year ended 31 December 2015

	Notes	2015	2014
		£	£
Fixed assets			
Tangible assets	8	48,746	67,119
Total fixed assets		48,746	67,119
Current assets			
Debtors	9	1,714,783	837,334
Investments	10	1,719,098	1,713,627
Cash at bank and in hand		1,786,289	2,875,281
Total current assets		5,220,170	5,426,242
Liabilities:			
Creditors: amounts falling due within one year	11	(3,161,480)	(3,454,301)
Net current assets		2,058,690	1,971,941
Creditors: amounts falling due after more than one year		-	-
Net assets		2,107,436	2,039,060
Total funds of the charity:			
<i>Unrestricted funds</i>			
General Fund	12	2,058,690	1,971,941
Fixed Asset Reserve	12	48,746	67,119
Total		2,107,436	2,039,060

Company registered number: 954616

Registered Charity: 258815

Approved and authorised for issue by the Executive Committee on
11 July 2016.

David MILES, Chair of the Executive Committee



Statement of Cash Flows

Year ended 31 December 2015

	Notes	2015	2014
		£	£
Reconciliation of net income to net cash flow from operating activities			
Net income for the reporting periods (as per the Statement of Financial Activities)		68,376	70,354
Adjustments for:			
Depreciation charges		46,914	88,012
Interest on investments		(14,216)	(18,415)
(Increase)/decrease in debtors		(877,449)	55,957
Increase in creditors and accrued expenses		286,084	234,796
(Decrease)/increase in grants received in advance of expenditure		(578,905)	288,467
Decrease in fixed term deposit		-	500,000
Net cash (expended on)/generated from operating activities		(1,069,196)	1,219,171
Interest on investments	15	14,216	18,415
Purchase of tangible fixed assets		(28,541)	(16,122)
Cash flows from investing activities		(14,325)	2,293
Change in cash and cash equivalents in the reporting period		(1,083,521)	1,221,464
Cash and cash equivalents at the beginning of the reporting period		4,588,908	3,367,441
Cash and cash equivalents at the end of the reporting period		3,505,387	4,588,908
Analysis of cash and cash equivalents			
		2015	2014
		£	£
Cash in hand		1,786,289	2,875,281
Notice deposits		1,719,098	1,713,627
Total cash and cash equivalents		3,505,387	4,588,908

Notes forming part of the financial statements, year ended 31 December 2015

1. Accounting policies

The principal accounting policies adopted, judgements and key sources of estimation uncertainty in the preparation of the financial statements are as follows:

a) Basis of preparation

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) – (Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

The Institute for Fiscal Studies meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy note(s). In preparing the accounts, the Trustees considered whether in applying the accounting policies required by FRS 102 and the Charities SORP FRS 102 a restatement of comparative items was necessary; however, no adjustments were required.

b) Tangible fixed assets and depreciation

All tangible fixed assets costing more than £1,000 are capitalised and depreciated. Depreciation of fixed assets is calculated to write off the cost of each asset over the term of its estimated useful life. Prior to 2015, tangible fixed assets costing more than £250 were capitalised.

The Executive Committee had determined that all costs relating to the refurbishment of the premises and any furniture be depreciated over five years and all other assets depreciated over three years.

Assets are written off on a straight-line basis commencing from the quarter after the date of purchase. Where the length of any remaining lease is less than five years then any refurbishment costs are depreciated up to the end of the year in which the lease comes to an end.

c) Income – membership subscriptions and donations

Membership income is deferred to the extent that it relates to services to be provided in future periods. Donations are credited to the Statement of Financial Activities at the date of receipt.

d) Income – publication sales

Income for publications is credited to the Statement of Financial Activities in the period in which the publications are provided or made available. No value is placed on book stocks.

e) Income – research activities

Income is recognised when the Institute has entitlement to the funds, and performance conditions attached to the grants have been met; it is probable that the income will be received and the amount can be measured reliably and is not deferred. The Institute is usually legally entitled to income from research contracts in stages over the course of each project, which approximates to when related expenditure is expected to be incurred. Accordingly, all research income is credited to the Statement of Financial Activities when it falls due to be received to the extent that it is matched by relevant expenditure. Any income received in advance of expenditure is treated as deferred income. Where funds are clearly specified as restricted grants by the donor, these are accounted for as restricted funding in line with the requirements of the Statement of Recommended Practice.

f) Interest receivable

Interest on funds held on deposit is included when receivable and the amount can be measured reliably.

g) Allocation of expenses

Direct and indirect expenses are included when incurred. The majority of expenses are directly attributable to specific activities. Indirect overhead costs (e.g. premises and administration) are allocated pro rata to the value of each activity. Irrecoverable VAT is charged as a cost against the activity for which the expenditure was incurred.

h) Pension costs

The pension cost charge represents contributions payable by the Institute to employees' personal pension plans in respect of the year.

i) Operating leases

Leasing charges in respect of operating leases are charged to the Statement of Financial Activities as they are incurred.

j) Current asset investments

Current asset investments include cash on deposit and cash equivalents with a maturity of less than

one year held for investment purposes rather than to meet short-term cash commitments as they fall due.

k) Foreign currency

The value of the balances in the Institute's Euro and US Dollar accounts at the end of the year was based on the exchange rate as at 31 December 2015. Transactions in foreign currencies are calculated at the exchange rate ruling at the date of the transaction and the Institute-wide foreign exchange loss made during the year has been deducted from the Incoming Resources from Generated Funds.

l) Financial instruments

IFS only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value.

m) Restricted funds

Restricted funds are to be used for specified purposes as laid down by the donor. Expenditure that meets these criteria is identified to the fund, together with a fair allocation of overheads and support costs.

Notes forming part of the financial statements, year ended 31 December 2015

2. Membership subscriptions	2015	2014
	£	£
Corporate	88,902	75,440
Partnerships	7,087	15,850
Individuals	11,515	12,365
	107,504	103,655

3. Expenditure on research activities	2015	2014
	£	£
Staff costs	4,753,285	4,721,966
Direct project costs	1,602,494	1,432,677
Premises costs	512,119	549,795
IT and office costs	213,793	230,428
Insurance and professional fees	85,885	103,810
Publications, events and public relations	8,711	12,024
Miscellaneous	40,745	29,852
	7,217,032	7,080,552

'Direct project costs' includes payments to outside bodies that work together with IFS on particular projects. Where the Institute is the lead organisation, it receives funding from the grant-giving body for all participating organisations for onward transmission. Gross receipts are reflected in the Institute's revenues and, depending on the types of project undertaken, may vary significantly from year to year.

4. Analysis of governance and support costs	Support costs	Governance	Total	Support costs	Governance	Total
	2015	2015	2015	2014	2014	2014
	£	£	£	£	£	£
Staff costs	831,407	14,972	846,379	779,302	16,441	795,743
Premises costs	529,870	-	529,870	552,716	-	552,716
IT and office costs	230,989	-	230,989	230,428	-	230,428
Insurance and professional fees	70,319	22,474	92,793	93,446	12,135	105,581
Miscellaneous	43,200	822	44,022	28,826	1,206	30,032
	1,705,785	38,268	1,744,053	1,684,718	29,782	1,714,500

Direct costs attributable to a single activity are allocated directly to that activity. Costs in relation to the Institute's support functions and governance costs are apportioned between the four areas of activity undertaken.

Governance costs include the costs of external audit and legal advice on constitutional documents. Miscellaneous governance costs in 2015 of £822 relate to the cost of the Council's annual dinner.

Notes forming part of the financial statements, year ended 31 December 2015

5. Total resources expended

2015	Research activities	Publications	Conferences	Membership	2015 Total
	£	£	£	£	£
Staff costs	4,753,285	73,814	86,270	50,268	4,963,637
Direct project costs	1,602,494	-	-	-	1,602,494
Premises costs	512,119	7,506	7,242	3,003	529,870
IT and office costs	213,793	7,272	7,015	2,909	230,989
Insurance and professional fees	85,885	2,921	2,818	1,169	92,793
Publications, events and public relations	8,711	15,032	22,260	8,036	54,039
Miscellaneous	40,745	1,386	1,337	554	44,022
	7,217,032	107,931	126,942	65,939	7,517,844

2014	Research activities	Publications	Conferences	Membership	2014 Total
	£	£	£	£	£
Staff costs	4,721,966	59,731	60,401	56,358	4,898,456
Direct project costs	1,432,677	-	-	-	1,432,677
Premises costs	549,795	1,108	792	1,021	552,716
IT and office costs	230,428	-	-	-	230,428
Insurance and professional fees	103,810	590	590	591	105,581
Publications, events and public relations	12,024	14,356	56,830	5,296	88,506
Miscellaneous	29,852	60	60	60	30,032
	7,080,552	75,845	118,673	63,326	7,338,396

Notes forming part of the financial statements, year ended 31 December 2015

6. Staff costs	2015	2014
	£	£
Wages and salaries*	3,324,637	3,189,733
Social security costs	294,584	312,468
Pension costs*	226,671	245,550
	3,845,892	3,747,751
Staff from universities	1,041,467	1,051,335
Research Fellows, Research Associates, Graduate Scholars and other associated research staff costs	76,278	99,370
	4,963,637	4,898,456

* 2014 amounts have been re-presented. The overall costs remain unchanged; however, wages and salaries have increased by £155,746 and pension costs have been reduced by the same amount.

IFS has contracts in place with several universities/ institutions for the provision of an agreed proportion of the working time (typically 10–50%) of 24 (2014: 24) named, highly skilled individuals to carry out specific research duties at IFS in their areas of academic excellence.

Staff costs have been allocated to expenditure headings where they can be specifically identified, as in note 5. The average number of employees (FTE) including short-term research assistants, analysed by function, is shown opposite.

The number of employees whose emoluments (excluding pension contributions) were in excess of £60,000 is shown in the ranges to the right. In addition, pension contributions were paid by the Institute on behalf of these 18 employees. The total sum of these contributions was £102,721 (2014: £101,918 for nine employees).

The Trustees received no remuneration for their services during the year (2014: nil).

During 2015, the Institute met travel and subsistence expenses incurred by the Trustees totalling £822 (2014: £740). The Institute also paid the indemnity insurance cost for the Trustees (who are also directors) with regard to their actions on behalf of the charity.

During 2015, the Institute's senior management team comprised the Director, Paul Johnson, the Deputy Director, Carl Emmerson, and the Research Director, Professor Sir Richard Blundell (0.5 FTE).

In 2015, total compensation for key management personnel, including amounts due to universities under contractual arrangements for the provision of an agreed amount of the Research Director's time, was £388,791 (2014: £385,535)

† The bandings in 2014 have been re-presented to reflect employees' gross salaries (before employee pension contributions) and part-time working arrangements.

	2015	2014
Research activities	57.2	56.5
Publications	1.2	1.5
Conferences	2.2	1.6
Membership	0.9	0.5
Total	61.5	60.1

	2015	2014†
£60,001–£70,000	14	6
£70,001–£80,000	2	1
£80,001–£90,000	1	-
£90,001–£100,000	-	1
£100,001–£110,000	-	-
£110,001–£120,000	-	-
£120,001–£130,000	-	-
£130,001–£140,000	-	-
£140,001–£150,000	-	1
£150,001–£160,000	1	-

Notes forming part of the financial statements, year ended 31 December 2015

7. Net income for the year	2015	2014
	£	£
<i>This is stated after charging:</i>		
Depreciation	46,914	88,012
Auditors' remuneration		
– audit (2015 figure includes £3,200 relating to 2014)	21,700	8,950
– other services	25,850	589
Operating lease rentals – property	375,000	342,205

Amounts payable to the auditors for other services include £25,350 in connection with advice on the implementation of a new accounting and management information system.

8. Tangible fixed assets	Fixtures and improvements to short leasehold premises	Office equipment	Total
	£	£	£
Cost			
At 1 January 2015	722,122	492,126	1,214,248
Additions	13,348	15,193	28,541
At 31 December 2015	735,470	507,319	1,242,789
Depreciation			
At 1 January 2015	720,116	427,013	1,147,129
Charge for the year	721	46,193	46,914
At 31 December 2015	720,837	473,206	1,194,043
Net book value			
As at 31 December 2015	14,633	34,113	48,746
As at 31 December 2014	2,006	65,113	67,119

All fixed assets are held for use on a continuing basis for the purpose of charitable activities.

9. Debtors	2015	2014
	£	£
Research grants receivable	1,142,690	693,907
Trade debtors	421,207	48,504
Other debtors	67,891	16,354
Prepayments	82,995	78,569
	1,714,783	837,334

Notes forming part of the financial statements, year ended 31 December 2015

10. Investments

At the end of the year, £1,219,098 was held in a COIF Charities Deposit Fund (2014: £1,213,627) and £500,000 in a CAF Bond held with Principality Building Society (2014: £500,000), which matures on 28 July 2016.

11. Creditors	2015	2014
Amounts falling due within one year	£ £	
Trade payables	98,127	-
Taxation and social security	89,968	95,634
Accruals	995,081	801,458
	1,183,176	897,092
Deferred income		
Balance at 1 January	2,557,209	2,268,742
Amount released to net income	(2,140,475)	(1,787,746)
Amount deferred in the year	1,561,570	2,076,213
Balance at 31 December	1,978,304	2,557,209
Creditors: amounts falling due within one year	3,161,480	3,454,301

12. Funds	Restricted funds	Unrestricted funds	Designated funds: Fixed Asset Reserve	Total
£				
Reserves at 1 January 2015	-	1,971,941	67,119	2,039,060
Incoming resources	123,534	7,462,686	-	7,586,220
Outgoing resources	(123,534)	(7,394,310)	-	(7,517,844)
Transfers between funds	-	18,373	(18,373)	-
Reserves at 31 December 2015	-	2,058,690	48,746	2,107,436

2015: Restricted funds represent support received from the Trust for London, and from PEDL under two performance-related grant agreements. In total, £123,534 was spent on these two grants during the period.

Unrestricted funds are available for use at the discretion of the Executive Committee in furtherance of the general objects of the charity and which have not been designated for other purposes.

Designated funds comprise unrestricted funds that have been set aside by the Executive Committee for particular purposes. The Fixed Asset Reserve represents the net book value of the tangible fixed assets as at the balance sheet date.

The aim and use of each fund is set out in the reserves policy section on page 13 of the Report of the Executive Committee.

Notes forming part of the financial statements, year ended 31 December 2015

13. Operating lease commitments

The total of future minimum lease payments under non-cancellable operating leases is set out below for each of the following periods:

£	2015	2014
One year	375,000	-
Two to five years	1,303,767	-

14. Pension scheme

The total pension cost to the Institute for the contributions to employees' pension shares under group personal pension plans with Scottish Widows was £185,953 (2014: £202,229). In addition, four members of staff (2014: five) participate in other personal pension schemes of their own choice, to which the Institute contributed £40,718 (2014: £43,321). 2014 accounts have been re-presented to exclude employee contributions.

£	2015	2014
Scottish Widows	185,953	202,229
Other	40,718	43,321
Total	226,671	245,550

15. Notes to the cash flow statement

£	2015	2014
Interest from investments	14,216	18,415

16. Analysis of net assets between funds

£	Unrestricted funds	Designated funds	Restricted funds	Total funds
Tangible fixed assets	-	48,746	-	48,746
Current assets	5,212,872	-	7,298	5,220,170
Current liabilities	(3,154,182)	-	(7,298)	(3,161,480)
Net assets at 31 December 2015	2,058,690	48,746	-	2,107,436

17. Related party transactions

Lorraine Dearden, a member of Paul Johnson's close family, is paid as an IFS Research Fellow at the standard rate of £5,000 (2014: £5,000). Her initial appointment pre-dates his term as Director and is reviewed annually by the Research Director. In addition, IFS paid her employer, the Institute of Education, a contribution of £36,605 (2014: £65,813) towards her full employment costs to carry out duties at IFS. The buyout from the Institute of Education pre-dates Paul Johnson's appointment as Director and was agreed by his predecessor.

IFS Executive Committee Member, Mark Robson, was appointed to the ESRC Council in April 2015.