

THE INSTITUTE FOR FISCAL STUDIES
(A Company Limited by Guarantee not having
a Share Capital and a Registered Charity)

Company Registered Number: 954616
Registered Charity: 258815

EXECUTIVE COMMITTEE REPORT AND
FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2013

THE INSTITUTE FOR FISCAL STUDIES
(A Company Limited by Guarantee not having a Share Capital)
EXECUTIVE COMMITTEE REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2013

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THE INSTITUTE FOR FISCAL STUDIES
(A Company Limited by Guarantee not having a Share Capital)
COMPANY INFORMATION

COMPANY REGISTERED OFFICE: 7 Ridgmount Street
London
WC1E 7AE

COMPANY REGISTERED NUMBER: 954616

REGISTERED CHARITY NUMBER: 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 8AR

THE INSTITUTE FOR FISCAL STUDIES
(A Company Limited by Guarantee not having a Share Capital)
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7 Ridgmount Street, London, WC1E 7AE
REPORT OF THE EXECUTIVE COMMITTEE
YEAR ENDED 31 DECEMBER 2013

The Executive Committee presents the report and financial statements of The Institute for Fiscal Studies for the year ended 31 December 2013.

Structure, 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. As at 31 December 2013 the number of guarantees was 488 (589 as at 31 December 2012).

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 the year was:

M Brookes	D Lievesley
F Cairncross (Chairman of the Executive Committee)	R Lomax (President)
J F Chown	D Miles
M R Cole	I Menzies-Conacher (Honorary Company Secretary)
C Davidson	M Robson
W J Hopper	

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..

ORGANISATION STRUCTURE OF THE INSTITUTE AND DECISION MAKING PROCESS

The operational responsibilities of the Institute are delegated to the Director of the Institute via a “Scheme of Delegation” who in turn delegates various duties to senior staff via an “Internal Scheme of Delegation”. During the year the Executive Administrator retired from the Institute and was replaced by a Chief Operating Officer.

Director	P Johnson
Executive Administrator (to August 30 th 2013)	R H Markless
Chief Operating Officer (from August 12 th 2013)	E A Backhouse

The Institute employed directly an average of 74 (2012: 64) 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 (2012: 22) 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. IFS also offers support to PhD scholars who are normally registered at University College London. During 2013 the Institute supported 11 Scholars (2012: 7 Scholars).

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REPORT OF THE EXECUTIVE COMMITTEE
YEAR ENDED 31 DECEMBER 2013

Objectives and Activities

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 policy making. As such, in February 2001, the Executive Committee reiterated its commitment to this policy (see <http://www.ifs.org.uk/about/guidelines.pdf>). 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 as to how the Institute has aimed to meet its Public Benefit are given in the Strategic Report where the Institute's achievements are reported.

STRATEGIC DEVELOPMENT

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 <http://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 web site and in the media.

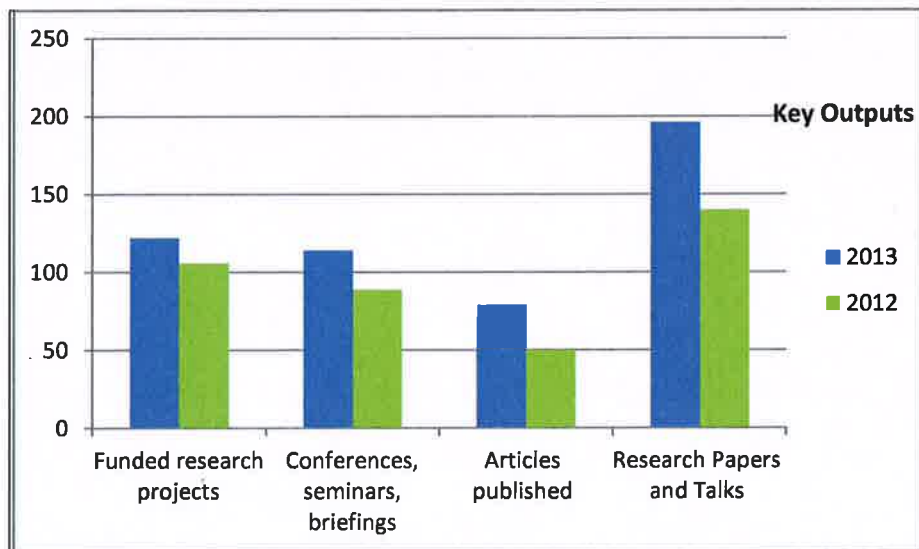
THE INSTITUTE FOR FISCAL STUDIES
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REPORT OF THE EXECUTIVE COMMITTEE
YEAR ENDED 31 DECEMBER 2013

Strategic Report

A. ACHIEVEMENTS AND PERFORMANCE

What has been achieved during the year?

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. The key IFS outputs and achievements in the year are shown, and described below:



IFS has worked on 122 funded research projects during 2013 (106 in 2012). 34 (2012: 47) research projects have been completed this year with final reports provided to funders. IFS has also produced an additional range of outputs.

IFS organized 114 (2012: 89) conferences, seminars and briefings, 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, 12 (2012:14) training courses aimed particularly at civil servants and 3 (2012: 5) masterclasses aimed at postgraduate researchers were held under the auspices of the Centre for Microdata Methods and Practice (Cemmap). An additional 4 training courses and 2 masterclasses were organised under the auspices of the National Centre for Research Methods node Programme Evaluation for Policy Analysis (PEPA). 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 also held with senior representatives from the IMF, the Mexican and Japanese governments and the Inter-American Development Bank advisory board.

With an academic audience in mind, during the year 79 (2012: 50) articles were published in peer-reviewed journals and 31 (2012: 22) IFS working papers were produced. Over 196 (2012: 140) papers and talks were given by IFS researchers over the year to both academic and policy audiences. In addition to a quarterly journal, *Fiscal Studies*, which publishes articles about applied economic policy, IFS staff produced 47 (2012: 56) non-academic reports and briefing notes. Researchers have published 20 (2012: 20) short policy-related topical briefings ('Observations') online throughout the year. These have been syndicated via RSS and Atom feeds and have been widely used, both in the traditional media and the blogosphere.

Much of this work has been widely reported in the media and referred to frequently in Parliament. During 2013 The Economic and Social Research Council (ESRC) have provided us with independent monitoring statistics which showed that IFS work was cited 2941 (2012: 1869) times on radio and television, we were mentioned 2760 (2012: 2148) times in the printed press and 6359(2012: 6416) times in the online press.

A fuller account of the Institute's activities can be found on its web site (www.ifs.org.uk).

THE INSTITUTE FOR FISCAL STUDIES
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REPORT OF THE EXECUTIVE COMMITTEE
YEAR ENDED 31 DECEMBER 2013

IMPORTANT EVENTS DURING 2013

IFS researchers held briefings to launch key pieces of research on a wide range of topics including changes in the British diet, energy use policies, welfare reform and labour supply, living standards, productivity and wages, impact of month of birth on child development and changes to pension policy. As ever, we also responded to policy announcements and held briefings on the Spending Round, Budget and Autumn Statement.

2013 has been a particularly strong year for events held in partnership with organisations such as The British Academy, Chartered Institute of Taxation (CIOT), Institute for Government, Oxford Economics, UCL and Nuffield Trust. In 2013 we embarked on a series of jointly organised partnership events with the CIOT. We held fringe briefings at the three main party conferences on “Where next for tax? 2015 and beyond” and all of these were very well attended. Michael Devereux (Oxford University Centre for Business Taxation) delivered the first of three planned IFS/CIOT tax lectures, all of which are aimed at promoting serious debate amongst policy-makers and the wider tax and economics communities. This lecture “Are we heading towards a corporate tax system fit for the 21st century?” attracted over 170 delegates, including a good mix of people from policy, business and academia.

The Centre for the Microeconomic Analysis of Public Policy (CPP) at IFS, the Centre for Microdata Methods and Practice (cemmap) and UCL organised two high-profile policy lectures in 2013, both delivered by cemmap Fellows and supported and hosted by the British Academy. The first lecture, delivered in March 2013 on “Public Policy in an Uncertain World”, was given by Professor Charles Manski (Northwestern) with a response from Lord Gus O’Donnell, former UK Cabinet Secretary and Visiting Professor at UCL.

Nobel laureate Professor James Heckman (Chicago) delivered the second lecture in September 2013 on “The Economics and the Econometrics of Human Development”. Both of these lectures had over 100 delegates.

The British Academy also hosted our 2013 Annual Lecture, delivered by Professor Stephen Machin on the “Economics of education”. 240 people attended the event and 105 viewed a recording of the lecture that we made available on the IFS website.

The Green Budget 2013 was published in February, with funding from the Nuffield Foundation and macroeconomic analysis and presentations from Oxford Economics. Our briefing attracted in excess of 280 delegates and the publication was well-received with wide media coverage and in excess of 5,000 downloads in February alone. In May we held a joint conference with the Nuffield Trust on “Competition for care: understanding the changing NHS market and the role of independent care providers”. Our own work in this area was presented but we also had high-calibre speakers from organizations such as Healthwatch England, NHS England and Monitor. We had over 100 delegates at the event including practitioners, policy-makers and researchers in the field: many of whom we engaged with for the first time. A second smaller invite-only event was held in September, allowing researchers in the field to share ideas and feed into our programme of work.

On 18 November we held a half-day briefing in Edinburgh to present our findings from the ESRC Future of the UK and Scotland project and to launch the final major report: “The Fiscal Implications of an Independent Scotland”. Over 100 delegates attended and coverage of our work was substantial with 174 online, 369 broadcast and 198 printed press mentions.

Finally, we organised a successful residential conference on ‘HMRC and the taxpayer’ in September 2012. Working closely with industry and the HMRC we had 90 speakers and delegates attend, including Heads of Tax from large multi-national companies, senior civil servants, representatives from the not-for-profit sector and practitioners from accountancy and law firms. Lin Homer and Edward Troup, HMRC, were two key-note speakers and feedback has been extremely positive with key HMRC officials indicating that they would be supportive of another similar event.

THE INSTITUTE FOR FISCAL STUDIES
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REPORT OF THE EXECUTIVE COMMITTEE
YEAR ENDED 31 DECEMBER 2013

B. FINANCIAL RESULTS FOR THE YEAR

The results for the year are shown in the Statement of Financial Activities on page 13 and show a modest increase in both income and expenditure.

The Executive Committee concluded during 2011 that under current expenditure patterns the Institute should increase its cash holdings in line with its Reserves Policy. It was decided that the Institute should, by the end of 2013, have cash holdings (excluding net grants received in advance in respect of specific projects) equivalent to three months average expenditure. The Institute has been able to achieve this.

In order to meet this target, the financial policy laid down by the Executive Committee for 2013 was that the Institute should aim to raise a surplus of some £220,000 during the year. Members of the Executive Committee requested that any marginal surpluses from membership, conferences and publications should be utilised and this was expected to raise about £100,000. The remaining £120,000 should be sought from a surplus on our research activities. This target was met and a small additional surplus was made.

The Statement of Financial Activities on page 13 shows that overall a surplus of **£ 318,058** was made in 2013 (2012: £223,739) representing investment income of **£19,755** (2012: £17,718), voluntary income (legacy) of **£12,058** (2012: £0) and a surplus on operating activities of **£286,245** (2012:£206,021).

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 **53%** was provided by the Economic and Social Research Council (46% in 2012) it 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. All publications are made available free of charge on the website. Conferences run by its Centre for Microdata, Methods and Practice (*Cemmap*) aim to make a moderate surplus which contributes to the IFS' overhead recovery. Expenditure in these areas includes the relevant proportion of staff costs involved.

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 £1,208,505 was held in a COIF Charities Deposit Fund, £500,000 in a one-year Fixed Rate Bond with NatWest and £500,000 in a CAF Bond held with The Principality Building Society. These bonds mature in June 2014.

RESERVES POLICY

The reserves policy is twofold: one, to hold funds for working capital purposes; and two, to reflect the net book value of fixed assets.

The Institute requires reserves to be held in the General Fund as working capital and as a contingency should sufficient new funding not emerge or should existing contracts be cancelled. The General Fund reflects the Institute's net current assets. The target is for the General Fund to be maintained at a level to cover approximately three months expenditure (after adjusting for net grants received in advance). As projected expenditure is forecast to increase in 2014 the Trustees wish to continue to raise modest surpluses so that the General Fund continues to meet 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 at year end was lower 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 but during the year the Executive Committee made no changes to the existing policy.

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REPORT OF THE EXECUTIVE COMMITTEE
YEAR ENDED 31 DECEMBER 2013

C. PLANS FOR THE FUTURE PERIOD

In 2014 we will continue to inform public debate on a range of fiscal and economic issues. Our Green Budget will be used to communicate with policymakers and commentators on key policy options with the intent of encouraging the development of effective public policy. We will present the findings of our research to a broad audience, including parliamentarians, journalists and the general public. We will also launch and disseminate work on a number of other issues of public interest including:

- Education. We will model how planned cuts to public spending might impact on spending on higher education, including the number and generosity of student loans and grants, and what effect this could have on the future distribution of incomes among those who will potentially start university over the next five years.
- Tax, incomes and labour supply. We will publish our analysis on the magnitude and nature of responses in taxable income to the higher rate of income tax. We will also continue analysis of the effect of National Insurance contributions on the distribution of earnings, providing workshops with international partners.
- Pensions and retirement. We will publish our research on the determinants of the timing of retirement and how retirement behaviour differs in other countries. We will also complete our analysis of pensioner incomes in order to estimate future levels of pensioner poverty and care needs.
- Productivity. We will investigate what explains weak UK productivity performance since the Great Recession, exploring the role of impaired capital allocation since 2008 and using a structural framework to measure distortions to firms' capital choices and quantify the effect on aggregate productivity.
- Election Analysis. We will begin analysis of policy issues in the run up to the Election in 2015, focusing on an examination of the effectiveness of policies instituted by the current government and the implications of the parties' policy proposals.

D. 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 Results on page 8). 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. Finally, the Institute continues to seek to diversify its funding sources in order to spread the risk. IFS Executive Administrator Robert Markless departed in late summer 2013 after nearly 30 years in that role. He has been replaced by E. Andrew Backhouse and he had a period of overlap with Robert to assist in his integration into the Institute.

THE INSTITUTE FOR FISCAL STUDIES
(A Company Limited by Guarantee not having a Share Capital)
STATEMENT OF RESPONSIBILITIES OF THE EXECUTIVE COMMITTEE
YEAR ENDED 31 DECEMBER 2013

STATEMENT OF 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).

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 its 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 judgments and accounting estimates that are reasonable and prudent;
- 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 and 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 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 that
- 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,



Frances CAIRNCROSS

Chair of the Executive Committee
28 April 2014

THE INSTITUTE FOR FISCAL STUDIES
(A Company Limited by Guarantee not having a Share Capital)
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
THE INSTITUTE FOR FISCAL STUDIES
YEAR ENDED 31 DECEMBER 2013

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 2013 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).

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 2013 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 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.



Karen Thompson
Senior Statutory Auditor
for and on behalf of BDO LLP, Statutory Auditor
London
United Kingdom

Date: 1 May 2014

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

THE INSTITUTE FOR FISCAL STUDIES
(A Company Limited by Guarantee not having a Share Capital)
STATEMENT OF FINANCIAL ACTIVITIES
YEAR ENDED 31 DECEMBER 2013 (incorporating income and expenditure)

	<u>Notes</u>	Restricted	Unrestricted	<u>2013</u> £ Total	<u>2012</u> £
INCOMING RESOURCES					
Incoming Resources from Generated Funds					
Voluntary income - legacy			12,058	12,058	0
Investment Income		-	19,755	19,755	17,718
Incoming Resources from Charitable Activities					
Research activities		127,891	6,343,300	6,471,191	5,737,387
Membership subscriptions	2	-	91,380	91,380	79,855
Publication sales		-	43,889	43,889	60,036
Conference income		-	82,412	82,412	132,512
TOTAL INCOMING RESOURCES		127,891	6,592,794	6,720,685	6,027,508
RESOURCES EXPENDED					
Charitable Activities					
Research activities	3	127,891	6,041,840	6,169,731	5,526,622
Membership		-	71,321	71,321	61,908
Publications		-	72,872	72,872	54,455
Conferences		-	58,977	58,977	131,483
Governance Costs	4	-	29,726	29,726	29,301
TOTAL RESOURCES EXPENDED	5	127,891	6,274,736	6,402,625	5,803,769
NET INCOMING RESOURCES FOR THE YEAR	7	-	318,058	318,058	223,739
FUND BALANCES BROUGHT FORWARD AT 1 JANUARY 2013		-	1,650,648	1,650,648	1,426,909
FUND BALANCES CARRIED FORWARD AT 31 DECEMBER 2013	12	-	1,968,705	1,968,705	1,650,648

There were no other recognised gains or losses other than the net incoming resources for the year.

All amounts relate to continuing operations.

THE INSTITUTE FOR FISCAL STUDIES
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BALANCE SHEET
YEAR ENDED 31 DECEMBER 2013

	<u>Notes</u>	<u>2013</u>		<u>2012</u>	
		£	£	£	£
FIXED ASSETS					
Tangible assets	8		139,008		142,560
CURRENT ASSETS					
Debtors	9	893,291		763,492	
Bank deposits		1,208,505		1,002,022	
Fixed term deposits	10	1,000,000		510,156	
Cash at bank and in hand		1,658,936		1,347,668	
		<u>4,760,733</u>		<u>3,623,338</u>	
CREDITORS					
Amounts falling due within one year	11	<u>2,931,035</u>		<u>2,115,250</u>	
NET CURRENT ASSETS			<u>1,829,698</u>		<u>1,508,088</u>
NET ASSETS			<u><u>1,968,706</u></u>		<u><u>1,650,648</u></u>
UNRESTRICTED FUNDS					
General Funds	12		1,829,698		1,508,088
Fixed asset reserve	12		139,008		142,560
			<u><u>1,968,706</u></u>		<u><u>1,650,648</u></u>

Approved and authorised for issue by the Executive Committee on 28th April 2014



 Frances Cairncross

THE INSTITUTE FOR FISCAL STUDIES
(A Company Limited by Guarantee not having a Share Capital)
STATEMENT OF CASH FLOWS
YEAR ENDED 31 DECEMBER 2013

	<u>Notes</u>	<u>2013</u>	<u>2012</u>
		£	£
Reconciliation of net incoming resources to net cash inflow from operating activities			
Net Incoming Resources for the year		318,058	223,739
Depreciation		42,857	63,685
Investment Income		-19,755	-17,718
(Increase)/Decrease in Debtors		-129,799	222,023
(Increase)/Decrease in Fixed term deposit(unbreakable)		10,156	-510,156
increase in Grants received in advance of expenditure		360,199	481,190
Increase in Taxation and social security liability		882	17,600
increase (Decrease) in Accrued expenses		454,704	-304,705
Net Cash inflow from Operating Activities		1,037,302	175,658
 CASH FLOW STATEMENT			
Net Cash inflow from Operating Activities		1,037,302	175,658
Returns on investments and servicing of finance	15	19,755	17,718
Capital expenditure		-39,306	-119,146
Increase in cash		1,017,752	74,230
 Cash and cash equivalents at the beginning of the year			
Bank deposits	-	1,002,022	943,440
Cash at bank and in hand	-	1,347,668	1,332,020
		2,349,690	2,275,460
 Cash and cash equivalents at the end of the year			
Bank deposits		1,208,505	1,002,022
Fixed term deposits		500,000	0
Cash at bank and in hand		1,658,936	1,347,668
		3,367,442	2,349,690

THE INSTITUTE FOR FISCAL STUDIES
(A Company Limited by Guarantee not having a Share Capital)
NOTES FORMING PART OF THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2013

1 ACCOUNTING POLICIES

The accounts have been prepared in accordance with applicable accounting standards. They have also been prepared in accordance with the recommendations contained in the Statement of Recommended Practice "Accounting and Reporting by Charities" issued in March 2005, and the requirements of the Companies Act 2006.

Total incoming resources including interest amounted to £6,720,685 (2012: £6,027,508).

The principal accounting policies applied in the preparation of the accounts are as follows:-

(a) Accounting convention

The accounts have been prepared under the historical cost convention.

(b) Tangible fixed assets and depreciation

All tangible fixed assets costing more than £250 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.

The Executive Committee had determined that all costs relating to 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.

(c) Subscriptions and donations

These are credited to the Statement of Financial Activities to the year to the extent that they are received by the time the accounts are prepared.

(d) Publication sales

Sales of books and publications are credited to the Statement of Financial Activities in respect of sales for the year. No value is placed on book stocks.

(e) Research activities

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 was 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) Allocation of expenses

Direct and indirect expenses are included when incurred. The majority of expenses are directly attributable to specific activities. Indirect overhead costs (eg premises and administration) are allocated pro-rata to the value of each activity, as shown in note 5.

(g) Governance costs

Governance costs are those incurred in connection with the management of the charity's assets, organisational administration and compliance with constitutional and statutory requirements.

(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) 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 2013. 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 relevant research activity in Incoming Resources from Charitable Activities.

(k) Restricted Funds

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

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	<u>2013</u>	<u>2012</u>
	£	£
2 MEMBERSHIP SUBSCRIPTIONS		
Corporate	63,350	51,150
Partnerships	15,850	15,850
Individuals	12,180	12,855
	<u>91,380</u>	<u>79,855</u>
3 EXPENDITURE ON RESEARCH ACTIVITIES		
Staff costs	4,324,899	3,916,715
Direct Project costs	1,088,374	903,754
Premises	418,613	437,563
IT and office costs	239,102	198,674
Insurance and professional fees	59,188	40,570
Public relations and events	11,702	10,884
Miscellaneous	27,854	18,462
	<u>6,169,731</u>	<u>5,526,622</u>

"Direct project costs" includes payments to outside bodies which work together with the 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.

4 GOVERNANCE COSTS		
Staff costs	16,873	15,372
Audit remuneration(excl. VAT)	8,600	8,400
Trustee indemnity insurance, Companies House fees, Certificates	3,388	3,468
Meeting costs and Council Members' travel costs	865	2,061
	<u>29,726</u>	<u>29,301</u>

Members of the Executive Committee received no remuneration in respect of their duties as members of the Executive Committee but are able to claim travel expenses in furtherance of their duties. In 2013 no Member claimed any travel expenses (no expenses claimed in 2012).

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** (2012: £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 £65,086(2012: 64,188) towards her full employment costs to carry out duties at IFS. The buyout from her university pre-dates Paul Johnson's appointment as Director and was agreed by his predecessor

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5 TOTAL RESOURCES EXPENDED

	Staff costs	Depreciation	Other	Total <u>2013</u>	Total <u>2012</u>
	£	£	£	£	£
Research activities	4,324,899	41,274	1,803,558	6,169,731	5,526,622
Publications	56,670	541	14,110	71,321	54,455
Conferences	40,222	384	32,266	72,872	131,483
Membership	52,117	497	6,362	58,977	61,908
Governance	16,888	161	12,677	29,726	29,301
	<u>4,490,796</u>	<u>42,858</u>	<u>1,868,972</u>	<u>6,402,625</u>	<u>5,803,769</u>

6 STAFF COSTS

	<u>2013</u>	<u>2012</u>
Wages and salaries	2,738,278	2,365,088
Social security costs	282,721	243,015
Pension costs (see note 14)	363,992	320,915
	<u>3,384,991</u>	<u>2,929,018</u>
Staff from universities	1,019,313	988,294
Research Fellows and Research Associates, Graduate Scholars and other associated research staff costs	86,492	128,939
	<u>4,490,796</u>	<u>4,046,251</u>

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 named, highly skilled individuals (2012: 23) 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) analysed by function, was:

	<u>2013</u>	<u>2012</u>
Research activities	50.49	44.41
Publications	1.24	0.57
Conferences	1.30	0.91
Membership	0.53	0.40
	<u>53.55</u>	<u>46.29</u>

The emoluments of the employees (excluding pension contributions) fell in the following ranges in excess of £60,000.

	Number of employees	
	<u>2013</u>	<u>2012</u>
£60,001 - 70,000	3	1
£70,001 - 80,000	-	-
£80,001 - 90,000	-	-
£90,001 - 100,000	-	1
£100,001 - 110,000	-	-
£110,001 - 120,000	1	1

Pension contributions were paid by the Institute on behalf of the four employees noted above. The total sum of these contributions was £84,435 (2012: £96,817 for three employees).

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7	NET INCOMING RESOURCES FOR THE YEAR	2013	2012
		£	£
	This is stated after charging:		
	Depreciation	42,857	63,685
	Trustees reimbursed expenses	-	-
	Auditor's remuneration		
	- audit	8,600	8,400
	- other services	1,500	4,000
	Operating lease rentals		
	- property	305,000	305,000
		<u>305,000</u>	<u>305,000</u>

8	TANGIBLE FIXED ASSETS	Fixtures and improvements to short leasehold premises	Office equipment	Total
		£	£	£
	Cost			
	At 1 January 2013	719,461	500,769	1,220,230
	Additions	2,229	37,077	39,306
	Disposals	-	49,158	49,158
	At 31 December 2013	721,690	488,688	1,210,377
	Depreciation			
	At 1 January 2013	707,730	369,940	1,077,670
	Charge for the year	6,363	36,494	42,857
	Disposals and assets no longer in use	-	49,158	49,158
	At 31 December 2013	714,093	357,276	1,071,369
	Net book amounts			
	At 31 December 2013	7,597	131,412	139,008
	At 31 December 2012	11,731	130,829	142,560

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

9	DEBTORS		2013	2012
		Restricted	Unrestricted	Total
	Research funding receivable (note 1e)	37,548	695,686	733,234
	Trade debtors		52,583	53,175
	Other debtors		21,698	12,623
	Pre-payments		85,776	133,325
		<u>37,548</u>	<u>855,743</u>	<u>893,291</u>
				<u>763,492</u>

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10 FIXED TERM DEPOSITS

IFS holds 2 fixed term cash deposits at 31 December 2013 (1 at 31 December 2012). £500,000 is deposited in an unbreakable bond with Nat West Bank. This matures on June 23rd 2014. £500,000 is deposited in a CAF 12 month bond managed by the Principality Building Society which also matures on June 23rd, 2014.

11 CREDITORS

	Restricted	Unrestricted	2013 Total	2012
Amounts falling due within one year				
Taxation and social security	-	91,019	91,019	90,136
Accrued expenses	-	571,277	571,277	116,571
	<u>0</u>	<u>662,294</u>	<u>662,294</u>	<u>206,707</u>
Deferred income				
Balance at 1 January	58,788	1,849,755	1,908,543	1,427,353
Amount released to incoming resources	58,788	1,695,216	1,754,004	1,003,813
Amount deferred in the year	17,479	2,096,724	2,114,203	1,485,003
Balance at 31 December	<u>17,479</u>	<u>2,251,263</u>	<u>2,268,742</u>	<u>1,908,543</u>

Deferred income includes grants received in advance of expenditure (see notes 1e and 11)

12 FUNDS

	Restricted Funds	Unrestricted Funds	Designated funds Fixed Asset Reserve	Total
Reserves at 1 January 2013	-	1,508,088	142,560	1,650,648
Incoming Resources	127,891	6,592,794	-	6,720,685
Outgoing resources	127,891	6,274,736	-	6,402,626
Transfers between funds	-	3,552	-3,552	-
Reserves at 31 December 2013	<u>-</u>	<u>1,829,697</u>	<u>139,008</u>	<u>1,968,705</u>

Restricted funds represent support received from the Nuffield Trust and from CEPR/DFID under performance related grant agreements. In total £127,891 was spent on these two grants with £17,479 deferred to future periods in respect of the latter grant and £37,548 unbilled work in respect of the former grant.

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 Reserve Policy Section on page 9 of the Report of the Executive Committee.

13 OPERATING LEASE COMMITMENTS

At the end of the year the Institute had operating lease commitments in respect of buildings running to 21 June 2014.

	2013 £	2012 £
Contracts expiring:		
Within one year	143,726	0
After one year but less than five years	0	305,000

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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 and Phoenix Life was £331,258 (2012: £261,530). In addition four members of staff (2012: two) participate in other personal pension schemes of their own choice, to which the Institute contributed £32,734 (2012: £59,385).

	2013	2012
Scottish Widows/Phoenix Life	331,258	261,530
Other	32,734	59,385
Total	<u>363,992</u>	<u>320,915</u>

15 NOTES TO THE CASH FLOW STATEMENT

	2013	2012
Interest from Investments	19,755	17,718

16 ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Unrestricted Funds	Designated Funds	Restricted Funds	Total Funds
Tangible fixed assets	-	139,008	-	139,008
Current assets	4,705,706	-	55,027	4,760,733
Current liabilities	<u>-2,876,008</u>	<u>-</u>	<u>-55,027</u>	<u>-2,931,035</u>
Net assets at 31 December 2013	<u>1,829,697</u>	<u>139,008</u>	<u>0</u>	<u>1,968,705</u>