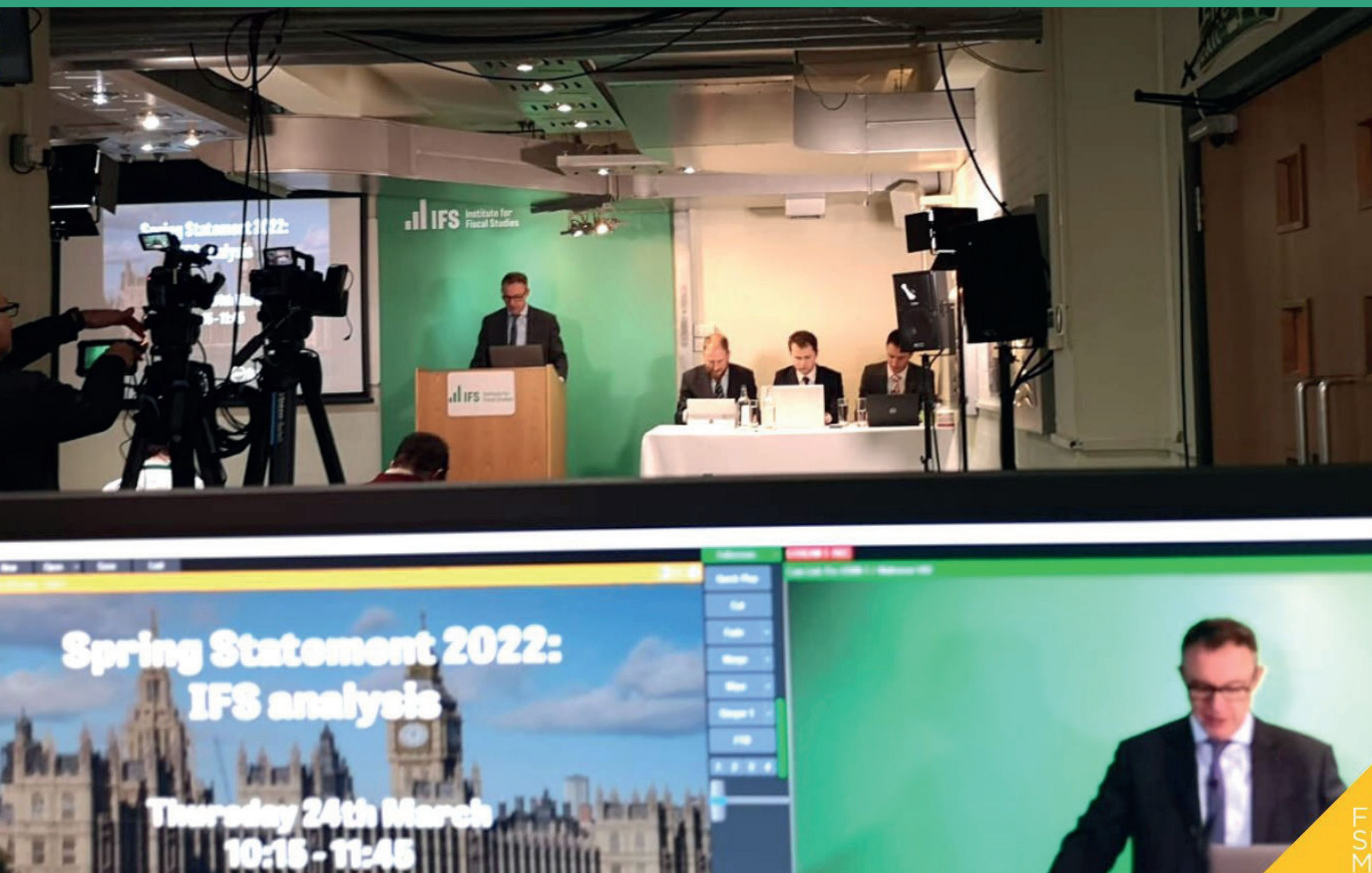
Trustees' Report

Year ended 31 December 2022

Institute for Fiscal Studies



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Company information

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Introduction from the Chair of Trustees

I am pleased to present the Trustees' report of the activities of IFS in 2022. Over the year, IFS researchers tackled problems and opportunities facing society in the context of national and international turmoil, including the lasting economic consequences of the pandemic.

Staff at IFS continue with work across the range of research programmes, organised around the five interconnected themes of inequalities and living standards; tax and benefit reform; education, skills and productivity; the challenges of an ageing population; and demands on public expenditure and public services. At the core of this is our ESRC-funded research institute, now complemented by a large research grant focusing on productivity and work.

The Deaton Review of Inequalities also continues. This is an international, interdisciplinary study which seeks to understand inequality not just of income, but of health, wealth, political participation, and opportunity; and not just between rich and poor but by gender, ethnicity, geography, age and education. The Review is led by Nobel Laureate, Sir Angus Deaton, and funded by the Nuffield Foundation: most of its findings have now been published, and preparation is under way for a more widely accessible volume drawing together key ideas arising from the project. The Review has brought together leading academics both in economics and in other disciplines; researchers involved in the Review have been looking at aspects of inequality caused or exacerbated by the pandemic.

The academic excellence of the Institute's research and researchers has continued to underpin our mission to inform the public debate and support policymakers in understanding the choices they face. With the political and economic turmoil the country experienced in 2022, IFS researchers were frequently called upon by the media, especially around fiscal events. Our improved website allows us to make new materials available to the public, including a series of new explainer videos, using chart animations and graphics to illustrate key research findings, and the podcast series, 'IFS Zooms In'.

This report highlights these achievements along with a small selection of the research and activities that took place over the year.

Careful scrutiny of the finances of IFS is an important part of the Trustees' work; as ever, this has been helped by clear and timely presentation of the facts to the committee by IFS officials. Whilst we, in common with other organisations that seek funding for academic research, face challenges in raising the finances to cover our ambitious programme of work, I am reassured that our financial position is healthy. In 2020, IFS's ESRC Centre – which has now attained 'Institute status' – received a further five years of Research Council funding. This contributes greatly to future stability. The Institute has also been successful in gaining 'impact acceleration' funding from the ESRC to broaden and deepen the impact of its research, which will be used to invest in digital expansion and public engagement. We have continued with this programme during 2022, expanding the digital materials available on our website and our research information system, as well as designing and running a series of online events and podcasts.

On behalf of the Trustees, I thank all the staff at IFS for their tireless work, continuing to produce and disseminate excellent research of the highest standard. I would like to thank my fellow Trustees for giving their time and expertise so generously throughout the year.

Michael Ridge

Michael Ridge

Chair of Trustees

Institute for Fiscal Studies

Objectives and activities

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 (UK) or elsewhere in the world.

So as to advance these objectives, it is IFS's policy to retain the right to publish its reports openly in order to inform public debate and policymaking.

Public benefit

The Members of the Board of Trustees 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 2022, where the Institute's achievements are reported.

Strategic framework

IFS operates within a strategic framework agreed by the Board of Trustees; the Board meets every year to discuss strategy with IFS staff, discuss issues, opportunities and difficulties, and agree on objectives. These discussions cover 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.

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 and conference participation, on its own website and in the media. Success lies in the scientific 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 2022

In 2022, IFS continued to undertake rigorous research to inform public understanding of crucial policy issues. IFS research spans a broad spectrum of topics and is presented to, and discussed with, audiences from academics at international conferences to UK policymakers to undergraduate students.

Alongside work on our ambitious programme of academic research, focused on the key themes of our CPP Institute, IFS researchers were called upon during 2022 to analyse and explain a number of policy changes and discussions that accompanied the political and economic upheavals.

Academic excellence

In recognition of the contribution made by IFS research and researchers to the advancement of economic understanding, a number of members of staff and associates received awards and honours for their work.

- IFS Deputy Research Director Sonya Krutikova was awarded a Jacobs Foundation Research Fellowship.
- IFS Research Associate Dr Antonella Bancalari received the Fulbright-Royal Society of Edinburgh Scholar Award.
- IFS Research Associate Sarah Smith was awarded an OBE in the Queen's Birthday Honours for services to economics and education.
- IFS Senior Research Economist Alison Andrew was selected for the Review of Economic Studies American Tour.
- IFS Research Director Rachel Griffith joined the Editorial Board of the Journal of Political Economy.
- The Fiscal Studies paper, 'COVID-19 and inequalities' by Blundell, Costa Dias, Joyce and Xu (published in 2020), had been cited around 390 times by December 2022.

IFS research is funded through research grants, from the UK Research Councils, charitable trusts such as the Nuffield Foundation, and elsewhere (see financial review on page 21 for details). During 2022, IFS was notified of the outcome of 47 research proposals, of which 36 were approved for funding (77% success rate). The length of the decision process varies somewhat across funders, and the number of applications evaluated was somewhat lower than in 2021; but there was an upturn in the success rate (in 2021, 68 were evaluated and 43 approved – 63% success rate). A total of 100 funded research projects were active in 2022, which is very similar to 2021 (102). Selected ongoing and new research projects from 2022 are outlined below.

Centre for the Microeconomic Analysis of Public Policy (CPP)

CPP has been at the heart of IFS research and its dissemination over the past 30 years. In recognition of the role this research has played in the UK social sciences, the Economic and Social Research Council elevated the Centre to Institute status, with a new tranche of funding starting in October 2020.

The core objective of the ESRC Institute at IFS is to inform and improve the quality of public debates around economic policy in the UK and internationally. We do this by conducting world-class research, acting as a national resource by collaborating with a wide range of researchers in the UK and abroad, engaging with policymakers and practitioners, and building capacity through training new generations of researchers. We are strongly committed to bringing the high-quality and rigorous insights from our research, and the research of others, to bear on issues of current public interest through many forms of media and communication.

Our research agenda is ambitious and will yield policy-relevant academic research that makes important scientific advances and is published in the most prestigious peer-reviewed journals. This agenda is driven by our core areas of expertise, covers a broad spectrum of interrelated topics and is designed to address major challenges the UK and other economies face in ensuring the resilience of households, firms and the broader economy. It will continue to evolve in response to the changing policy landscape and wider economic environment.

Our agenda is organised around five interconnected themes:

- inequalities and living standards;
- tax and benefit reform;
- human capital and productivity;
- the challenges of an ageing population;
- demands on public expenditure and public services.

Inequalities in the 21st century

Work has continued on this wide-ranging, international and interdisciplinary programme of research funded by the Nuffield Foundation. Altogether, 18 chapters, along with commentaries, will be produced. The chapters contain much new work, as well as summarising the current state of thinking in each area. In addition, the country studies will focus on those particular countries and provide comparative data. A raft of communications and engagement work is also under way (see the communication section on page 11 for more detail).

Chapters released during 2022 covered:

- spatial disparities across labour markets;
- firms and inequality;
- labour market inequality;
- top income inequality and tax policy;
- families and inequalities;
- early childhood inequalities;
- education inequalities;
- health inequalities;
- trends in income and wealth inequalities;
- race and ethnicity;
- inequality and immigration;
- political inequality.

The final set of chapters will be gathered in a special collection, to be published by Oxford University Press, as part of its Open Access journal, Oxford Open Economics. Work will be under way during 2023 to produce the second volume of the Review, which will draw on the key findings and themes to produce a book accessible to a much wider audience.

Cross-country studies of inequalities

Alongside the Deaton Review, IFS researchers are taking part in an international project looking at differences and commonalities in inequality in 17 countries.

The impact of the COVID-19 pandemic on earnings, education, skills and jobs raises key challenges for inequality and the design of policy responses. The aim of this project is to examine a broad set of inequalities in employment, human capital, earnings and family income over the last five decades in a coherent framework across North America and Europe. It will provide a major source for comparative research on inequality trends and on how the pandemic has affected them. There are 17 country-based research teams involved, with extensive experience researching economic inequalities. Each team is responsible for their country-specific data, which will draw on household surveys and administrative records, but all analyses are coordinated across countries to provide harmonious treatment of variables and estimation.

The project is composed of four related research strands. The first is to understand changes in a wide range of economic inequalities before and during the COVID-19 pandemic. The second will examine labour market inequalities in detail. The third will highlight the role of education and training for those who do not go to university and focuses on the differences in educational systems and the impact on inequality. The final strand will look at the tax and welfare systems and their effectiveness at addressing family income inequality.

The key outputs of this project will be a set of country-specific papers on the evolution and drivers of income inequalities pre- and post-pandemic, two cross-country synthesis papers, and a policy brief for each country. We will organise an international conference for academics and policymakers to conclude the project. This project will highlight key differences and commonalities across 17 economies, deepen our understanding of the drivers of inequality and the impact of the pandemic, and provide evidence needed to design appropriate policy responses to inequality in the post-pandemic world.

The importance of families' financial resources for child development

Poverty early in life is strongly associated with impaired child development. Poverty may be highly damaging for a number of reasons, including a lack of material resources to provide for essential needs, food and adequate housing, and increased family stress, affecting relationships within the family and parenting practices.

There is an urgent need to understand what can be done to mitigate the impact of increasing childhood poverty on children's outcomes. The aim of this project, funded by Nesta, is to fill the gap in the evidence by evaluating the impact on children's outcomes of two reforms that have significantly reduced the level of financial support available to low-income families with young children born on or after 6 April 2017. With some exceptions, the first reform abolished the 'family element' of child tax credit and universal credit, worth £545 per year for all tax credit recipients with children. The second, more substantial, reform limited the 'child element' of child tax credit and universal credit, worth about £3000 per child per year, to the first two children. The research team is initially looking at the impacts of these reforms on young children's early educational development but plans to examine impacts on health outcomes as well.

An international tax data laboratory (ITD-Lab) for studying taxes, firms and development

Governments' ability to raise tax revenue is fundamental for economic development, financing investment in education, health, infrastructure and poverty alleviation. The growth of formal businesses aids revenue-raising and is key to improvements in productivity and living standards.

This research, funded by UKRI, uses administrative tax data to understand the interactions between taxation and business growth, with the aim of improving policy. Researchers combine three types of analysis:

- studying how individual taxpayers – mostly firms – are affected by the tax system and how they react to it;
- aggregating these facts at the country level – the level at which policy is designed – to understand the implications of individual firms' behaviours for aggregate tax revenues, growth and production;
- seeking to study how these features of tax systems and firm behaviour change as countries develop with time, and how they vary across countries at different stages of development.

Consumption dynamics and the insurance value of benefits

A core aim of the benefits system is to provide a safety net that insures people when they fall on hard times, cushioning the fall in their living standards. But there are reasons why it can do this poorly for some groups. These include the facts that support does not arrive instantly and that households may, especially in the short term, have living costs such as rent that are difficult to adjust and which the safety net may only partially account for. The difficulties these factors pose will depend on the availability of other means that people have to insure themselves, such as drawing down on their savings. These issues are highly policy relevant – not least given the spotlight on the adequacy of the safety net during the pandemic, and high-profile concerns about the impact of the five-week wait period to receive universal credit – and addressing them requires rigorous empirical evidence.

The overall aim of this project, funded by the ESRC, is to better inform the design of benefits by:

- making substantial contributions to the academic literature on the extent and nature of insurance that the benefit system provides to people who suffer an unanticipated loss in earnings;
- engaging and co-designing the research with policymakers and practitioners throughout the project;
- disseminating the findings to them upon its conclusion.

Productivity, wages and the labour market

IFS was successful with a funding proposal to the ESRC for a new three-year research centre to study productivity and the labour market, starting in 2022. In the years since the 2008 financial crisis, the UK economy has witnessed weak economic growth and stagnant productivity. While employment remained high, many jobs are of low quality, offering little security and limited opportunities for learning and progression. But successful careers are a central determinant of the well-being of workers and their families and are the foundation of aggregate economic prosperity. They rely on good jobs, which are those offering opportunities for learning and progression, and on the efficient sorting of workers to the jobs that best suit their skills. Yet many workers can face multiple barriers to progressing their careers and developing their skills.

Consequences include flat earnings trajectories for those directly affected, widening economic inequalities over the life course, and aggregate loss in output by a collective failure to use the abilities of all individuals in the most productive way. Recent evidence corroborates this view, demonstrating that improving equity in the labour market can be economically beneficial by better capitalising on the talents of all.

The overarching aim of this project is to further understand the interactions between skills, jobs and career progression, their combined role in driving inequalities in economic outcomes, and their consequences for productivity and the mix of policies that would best support workers' career progression.

Our research programme is under way and is focusing on key aspects of skills, jobs and careers by investigating:

- the role of jobs, and good jobs, in developing the skills, careers and earnings of workers;
- the value of self-employment as a means of insurance against adverse developments in the traditional labour market and as a means of developing careers;
- how local labour markets and the job opportunities they offer shape the careers of workers in the short and long terms;
- the role of labour market institutions such as the minimum wage, taxes and welfare policy in shaping working opportunities and promoting the creation of good jobs.

The research programme complements the work of the ESRC Centre for the Microeconomic Analysis of Public Policy at IFS and the IFS Deaton Review of Inequalities.

Changing patterns of work in later life

This research programme, in partnership with the Centre for Ageing Better, significantly expands the evidence base around paid work among those approaching later life. This is a crucial area of interest given increasing longevity at older ages. Extending working lives is a key government objective, and fulfilling work has proven potential to improve individuals' financial security, health and well-being into and through retirement.

In this research, we address the following important research questions:

- How is the nature of paid work at older ages evolving over

time, in terms of the characteristics of employment and the rate of employment churn, and how does this vary across different types of individuals?

- How prevalent are different pathways into retirement – including via reduced hours, a 'bridge job' or a spell in self-employment? How is this changing over time, and how do pathways vary depending on individuals' characteristics and the nature of their work?
- What is the effect of the increase in the state pension age to 66 on the labour market activity of men and women at older ages?
- What is the effect of the increase in the state pension age to 66 on household incomes and living standards?
- Are emerging changes in patterns of paid work at older ages consistent with projections for future labour market activity produced by official forecasters?

Saving, spending and financial resilience in the wake of the pandemic

The pandemic had very unequal effects on different households. High-income households were likely to emerge from lockdown with higher savings than before; low-income households were much more likely to have accumulated debts. These differences could have profound and long-lasting implications for inequality.

Policymakers urgently need to understand the nature of these inequalities, and their implications for households' financial resilience and spending going forward. How quickly will consumers spend any funds they have accumulated over the course of the lockdown? Which households will emerge from the pandemic with precarious finances? How are savings, spending and financial resilience among different groups likely to evolve in the coming months and years?

With funding from the Nuffield Foundation, IFS researchers are drawing on unique, high-quality panel data to provide novel evidence on how consumer finances and behaviour changed over the course of the pandemic, and to interpret what this implies about inequality and the likely future path of spending as we emerged from national lockdown.

Taxation of pensions

The taxation of pensions is a complex and unstable mess. Despite repeated discussion of potential significant reforms, policy action has largely been limited to cutting annual and lifetime allowances. There are three main perceived barriers to fundamental reform. Two are feasibility issues: first, what is politically acceptable; second, what is administratively feasible. The third barrier is a lack of consensus about priorities – either over how much retirement saving should be incentivised overall, or over how this should be targeted.

Given this third barrier, there is no single 'right answer'. Reasonable people can differ over priorities, which may in turn depend on other circumstances such as the government's fiscal position. However, there are many wrong answers. The tapered annual allowance, which added complexity and had harmful consequences for the attractiveness of overtime among highly paid NHS employees, is one prime recent example.

Pensions tax reform is on the agenda again following the COVID-19 crisis, not least due to the sums involved: pensions tax relief costs the government over £40 billion annually. It is crucial that clear, high-quality, impartial evidence on the consequences of reform options is available and engaged with, so that avoidable mistakes are not made and that good policies are not ruled out in preference for unsuitable ones. Using funding from the abrdn Financial Fairness Trust, we are producing such evidence. We are broadening the debate by: covering a range of policy options that consider the tax system as a whole; providing detailed analysis of the distributional consequences of reforms both within and between generations; and paying attention to incentives and likely behavioural responses. We are engaging with stakeholders throughout, unpicking the extent to which political and administrative feasibility are genuine barriers, and helping to build consensus around which reforms are sensible options and which should be laid to rest. This will provide the clearest available guide for policymakers and public.

Our aim is to inform and improve the pensions tax debate and policy outcomes. Our strategy is to ensure policymakers and others debating reform are armed with as full an understanding as possible of what the plausible policy options are, what the distributional consequences would be, and what effects on incentives and behaviour need to be considered. Researchers are working towards these outcomes through engagement activities and the published outputs.

The economics of the medical workforce: evidence from English public hospitals

There is mounting evidence of wide variation across regions and providers in healthcare costs, treatments provided and patient outcomes. These variations cannot be explained by patient type, geography or prices. Variation exists even among clinicians working in the same hospitals and treating similar patients.

This has led to recent efforts to better understand the effect of individual clinicians and different ways of organising care on patient outcomes and medical productivity. But the extent of existing quantitative research is limited because it demands large data sets and information on clinicians linked to patient outcomes. Further, most of what is known is derived from one healthcare setting, the US. The US system is much more complex than many other healthcare systems and is characterised by many, often overlapping, payment and incentive structures, all of which may affect the behaviour of medical labour.

The aim of this research, funded by the ESRC, is to bring about a step change in the understanding of the determinants of variation in patient outcomes arising from the organisation of medical professionals. We will examine this in a setting where the impact of complex contractual and payment systems is switched off in order to isolate the effect of skill and organisation of clinician delivery arrangements. Our test bed is the English National Health Service.

Obesity in children and across the life course

The National Institute for Health Research (NIHR) has launched a new set of 15 NIHR Policy Research Units to undertake research to inform decision-making by government and arm's-length bodies. UCL Great Ormond Street Institute of Child Health hosts the new Children and Families Policy Research Unit (CPRU), which runs for five years from January 2019 under the co-directorship of

Professor Ruth Gilbert and Dr Jenny Woodman. The overall aim of CPRU is to conduct high-quality research to support the development of evidence-based policy to improve the health of children and families and to develop methods and data resources to improve the quality and timeliness of evidence for policy. CPRU is a collaboration between UCL (GOS Institute of Child Health, Institute of Education) and University of Bristol, University of Oxford, Anna Freud Centre, University of Cambridge and Institute for Fiscal Studies).

Determinants of health: review of funding allocations

With funding from the Health Foundation, this project has two key aims:

- To provide a detailed overview of the mechanisms by which central government funding is allocated to different local areas of England for different services, and the extent to which these account for assessments of local spending needs and (in the case of local government) revenue-raising capacity. In doing this, we will explain how allocation methods have evolved over time, and the rationales for these methods (e.g. incentives, simplicity, certainty).
- To map and analyse the subsequent allocations of funding by service area, including the extent to which the allocations align with the assessed spending needs of each area of England. In doing this, we will be careful to recognise the fact that needs assessments are not objective and can sometimes be biased (e.g. if estimated off past relationships between local characteristics and spending levels).

Documenting and analysing how funding is allocated geographically in this way will inform future work on the role of government funding in tackling place-based inequalities in outcomes, particularly related to health, and catalyse wider public and political debate about how funding is allocated between different parts of the country with different needs. These issues are particularly salient and important now given the government's commitment to 'level up' the country (including in relation to health and wider social outcomes) and evidence that geographical inequalities are of particular concern to the wider public.

Better financial modelling – making the IFS local government finance model available to councils

IFS has been progressively building a model of the English local government finance system, which we have been using in our research on the outlook for local government funding and the effects of various options for reform of the local finance system, part-funded by the ESRC.

In this new project, further funding from the ESRC has allowed us to collaborate with CIPFA and the District Councils Network to develop and roll out a co-branded web-based version of this model. This will allow councils, and particularly smaller less-well-resourced councils, to better understand their medium- to longer-term financial outlook. In particular, using the model, council officers, members and other stakeholders will be able to see how revenues and spending needs are likely to evolve given projected socio-economic changes, local decisions on council tax and central government decisions on grant funding and the design of the finance system.

Evaluation of Skills Bootcamps

This project, funded by the Department for Education, is taking place in collaboration with colleagues at the London School of Economics. The aim of the research is to evaluate the impact of attending Skills Bootcamps on participants' wages and employment, thereby ascertaining whether this policy is achieving its overarching objectives, which include supporting people to access better jobs, increased wages and improved productivity. The research will help to identify the mechanisms by which outcomes are (or fail to be) achieved, which include the quality of provision in the bootcamps and how this is received by employers.

Communication and stakeholders

IFS receives UKRI funding, in the form of a renewed Impact Acceleration Account, specifically to enhance the impact of our research. This has been and will continue to be used to develop our relationships with key stakeholders – business, central government, and local and devolved governments – and to improve the resources available to the public to aid their understanding of economic issues.

With the return of office working and in-person events, our communications team and researchers were able to use a combination of in-person and online events to communicate research findings, using experience gained during the pandemic. We also continued our fortnightly podcast, IFS Zooms In, dealing with a range of topical themes from defence spending and the tax system, to childcare and public sector pay, and involving IFS researchers alongside external experts. In 2022, 18 episodes (2021: 25) were recorded; series 3 received over 43,000 listens (2021: 35,000), with persistently high consumption rates (80%+ completion). An average episode achieved 32% growth in listenership compared with 2021.

Conferences and lectures

Our events in 2022 were a mixture of in-person, online and hybrid events, using the technologies that we had taken on board during the pandemic. Our event videos from 2022 were watched over 32,000 times (2021: 31,000).

Some highlights are listed below.

- Our analysis of the Autumn Statement 2022 was our most popular live event of all time, with 585 viewers watching the live-stream and over 5,500 subsequent views on YouTube. Our online events previewing the mini-Budget and analysing the Spring Statement were also popular, with over 300 live viewers and 2,000 subsequent YouTube views.
- Our annual lecture with Baroness Minouche Shafik (London School of Economics) was held in-person only, with a recording made available afterwards, and it was our most successful in-person event since February 2020, with 141 attendees.
- We held eight launch events for IFS Deaton Review chapters, plus an academic conference bringing together authors at the British Academy. In total, these nine events had almost 1,200 live viewers, and the videos have been watched back over 6,750 times on YouTube.
- This year's Green Budget launch was spread out over five events: two online early releases, an online press briefing, a hybrid corporate member briefing and a hybrid main launch event. In total, over 900 people watched at least one of these events live, and the videos have had over 4,750 views on YouTube subsequently.
- We held three joint debates (one online, two hybrid) with CIOT ('Is it time for a windfall tax?' on 1 March; 'Should the government introduce an online sales tax?' on 10 May; and 'How should the tax system treat pension saving?' on 5 July), as well as two hybrid events at the party conferences (on tax and the cost-of-living crisis). Almost 850 people attended at least one of these five events.

Research findings and reports

A key strength of IFS is that its analysis of policy and its contributions to the public debate are grounded in rigorous empirical research. IFS researchers and Fellows published 81 (2021: 48) journal articles during the year, including three (2021: three) in the top five economics journals and 21 (2021: 13) in the leading field journals. They also included 17 journal articles looking at aspects of health and healthcare, including in developing countries; seven of these articles deal with the COVID-19 pandemic and its aftermath. The IFS journal, Fiscal Studies, which is published by Wiley, curated a symposium of papers on carbon taxes in September.

Journal paper highlights included the following:

- Adam, S., Delestre, I., Levell, P., and Miller, H. (September 2022), 'Tax policies to reduce carbon emissions', Fiscal Studies, doi:10.1111/1475-5890.12308
- Andrew, A., Cattan, S., Costa Dias, M., Farquharson, C., Kraftman, L., Krutikova, S., Phimister, A. and Sevilla, A. (December 2022), 'The gendered division of paid and domestic work under lockdown', Fiscal Studies, doi:10.1111/1475-5890.12312
- Attanasio, O., Baker-Henningham, H., Bernal, R., Meghir, C., Pineda, D., and Rubio-Codina, M. (January 2022), 'Early stimulation and nutrition: the impacts of a scalable intervention', Journal of the European Economic Association, doi:10.1093/jeea/jvac005
- Attanasio, O., Cattan, S., and Meghir, C. (June 2022), 'Early childhood development, human capital, and poverty', Annual Review of Economics, doi:10.1146/annurev-economics-092821-053234
- Attanasio, O., Larkin, K., Ravn, M. O., and Padula, M. (January 2022), '(S)Cars and the Great Recession', Econometrica, doi:10.3982/ecta19037
- Augsburg, B., Attanasio, O., Dreibelbis, R., Nketiah-Amponsah, E., Phimister, A., Wolf, S., and Krutikova, S. (October 2022), 'Lively Minds: improving health and development through play—a randomised controlled trial evaluation of a comprehensive ECCE programme at scale in Ghana', BMJ Open, doi:10.1136/bmjopen-2022-061571
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- Blundell, R., Horowitz, J., and Parey, M. (September 2022), 'Estimation of a heterogeneous demand function with Berkson errors', Review of Economics and Statistics, doi:10.1162/rest_a_01018
- Bornstein, M. H., Cluver, L., Deater-Deckard, K., Hill, N. E., Jager, J., Krutikova, S., Lerner, R. M., and Yoshikawa, H. (August 2022), 'The future of parenting programs: I design', Parenting, doi:10.1080/15295192.2022.2087040
- Brewer, M., Cattan, S., Crawford, C., and Rabe, B. (January 2022), 'Does more free childcare help parents work more?', Labour Economics, doi:10.1016/j.labeco.2021.102100
- Britton, J., van der Erve, L., Belfield, C., Vignoles, A., Dickson, M., Zhu, Y., Walker, I., Dearden, L., Sibieta, L., and

Buscha, F. (December 2022), 'How much does degree choice matter?', Labour Economics, doi:10.1016/j.labeco.2022.102268

- Collins, B., Bandosz, P., Guzman-Castillo, M., Pearson-Stuttard, J., Stoye, G., McCauley, J., Ahmadi-Abhari, S., Araghi, M., Shipley, M. J., Capewell, S., French, E., Brunner, E. J., and O'Flaherty, M. (June 2022), 'What will the cardiovascular disease slowdown cost? Modelling the impact of CVD trends on dementia, disability, and economic costs in England and Wales from 2020-2029', PloS One, doi:10.1371/journal.pone.0268766
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Researchers published reports relating to a broad spectrum of important policy areas. Some of the more significant reports are mentioned below.

The IFS annual report on living standards, poverty and inequality examined how material living standards – most commonly measured by households' incomes – have changed for different groups in the UK, and the consequences that these changes have for income inequality and for measures of deprivation and poverty. This 22nd such annual report by IFS authors focused on two particular issues: first, how the distribution of household income changed during the first year of the COVID-19 pandemic; and second, what the situation facing poor families with children was prior to the pandemic, using pre-pandemic data on child poverty and material deprivation.

A number of reports were produced on the topic of pensions and retirement, looking at: the risks of deferred pension saving; how spending changes through retirement; recent patterns of work around the state retirement age; the impact on household incomes of increasing the state pension age; and the tax treatment of pensions at death.

Researchers launched the fifth IFS annual report on education spending, funded by the Nuffield Foundation, which sought to provide a clear and consistent comparison of the level and changes in spending per student across different stages of education. Following on from cuts to most areas of education spending during the 2010s, the government provided additional funding at successive spending reviews between 2019 and 2021. However, rising levels of inflation and cost pressures have dampened the effects of extra funding, putting severe strain on providers' budgets right across the public sector. The report indicated that high ambitions for the education sector will also be harder to achieve in an era of further constraints on public spending.

Publications were also launched around key political and fiscal events. 2022 was a busier year than usual because of the high number of Chancellors of the Exchequer. Following the Spring Statement and Autumn mini-Budget, IFS researchers helped to explain the implications by answering questions from journalists from all the national papers, as well as conducting interviews on the BBC, ITV and other major broadcasters. In addition, as ever, research was disseminated via local radio and newspapers and through a range of online media outlets. Analysis was presented to journalists and key civil servants on the day after the Chancellor's statements, to explain the implications for the public finances, businesses and households. Similar comment and analysis were carried out later in the year in response to the Chancellor's Autumn Statement.

The IFS Green Budget 2022 was published in October with a detailed analysis of the issues and challenges facing the Chancellor. The areas covered by IFS researchers, and partners at Citi, were: the global economic outlook; the UK economic outlook; the outlook for the public finances; public spending, pay and pensions; reforms, roll-outs and freezes in the tax and benefit system; corporation tax and investment; and quantitative easing, monetary policy implementation, and the public finances.

Other reports covered topics including benefits and the labour market; health, health inequalities, spending on healthcare and staff retention in the NHS; corporation tax; local government and the geographic distribution of spending; and changes in the labour market since the end of the pandemic.

Engagement with stakeholders

IFS staff and Centre directors give evidence to a wide range of committees each year and also meet with senior policymakers to discuss policy developments and ideas, as well as briefing them on IFS research. In 2022, staff gave or submitted evidence 17 times (12 in 2021), as follows:

- Treasury Select Committee (3);
- Work and Pensions Select Committee (4);
- Business, Energy and Industrial Strategy Committee (1);
- Welsh Affairs Committee (1);
- Lords Public Services Committee (2);
- Scottish Finance and Public Accounts Committee (2);
- Scottish Social Justice and Social Security Committee (1);
- Scottish Parliament COVID-19 Recovery Committee (1);
- Senedd Finance Committee (2).

Significant contributions by IFS staff to committees, commissions and policy reviews in 2022 included:

- Carl Emmerson – member of Social Security Advisory Committee (ongoing), member of Advisory Board of the Office for Budget Responsibility (2011–ongoing);
- Paul Johnson – sat on: Northern Ireland Fiscal Commission (ended 2022), Financial Services Culture Board (FSCB – ends 2023), Climate Change Committee (ends 2023), 'Engage Britain' board of trustees, Times Education Commission (2022);
- Robert Joyce – Specialist Advisor to House of Lords Economic Affairs Committee (2022);
- Peter Levell – member of the ONS technical advisory panel on consumer prices (ongoing);
- Helen Miller – chair of the RES communications and engagement committee (2019–22);
- David Phillips – Expert Advisor to Northern Ireland Fiscal Commission (2022);
- George Stoye – member of Expert Advisory Board for the development of the ONS Health Index for England.

Through our website, social media and press activity, we communicate the results of our research directly to the public, to enhance understanding of economics and policymaking. Our primary social media channel is Twitter, where we have over 56,200 followers (2021: 46,000). IFS director Paul Johnson's Twitter account has over 57,300 followers (2021: 38,000). A number of IFS staff also started to use Twitter to disseminate IFS research during the year.

YouTube continues to be central to our digital strategy – it hosts our explainer videos, event videos, podcasts and other video content. This gives us an exceptional opportunity to reach younger audiences. In 2022 around 63% (2021: 83%) of our YouTube audience was aged between 18 and 34. During the year, we had around 174,000 views (2021: 119,700) on YouTube and people watched over 17,400 hours (2021: 13,500) of our content.

The number of website users (individual visitors) rose from over 1.2 million in 2021 to over 1.5 million in 2022, with numbers having climbed steadily over the last few years.

A new version of the IFS website was launched in 2022, with improved ease of navigation and improved accessibility. The communications team is working on curating existing content and producing new materials to showcase our research. In 2022, we produced nine explainer videos, generating over 105,000 views across all platforms (over twice as many views as our explainer videos generated in 2021). We experimented with rapid response explainer videos for major fiscal announcements. Our video released immediately after the mini-Budget gained over 30,000 views across platforms and was our most successful video of 2022. We also produced a set of videos for the IFS Deaton Review of Inequalities. These allow authors to present the findings of their research in an accessible way, using chart animations and graphics.

Producing these videos makes our work more widely accessible, in particular to younger audiences, and allows us to give early-career researchers exposure to the production process for digital content and a chance to build skills in this area. The videos are hosted in a dedicated explainer section on our website, as well as on YouTube, Twitter and Facebook. These social media platforms allow us to reach new viewers via algorithmic distribution.

Capacity building

IFS contributes to the UK social science environment by training excellent economists – both our own researchers and those working elsewhere. IFS researchers who move on typically take up positions in academia, or in the civil service or the media where they will put into practice the research and communication skills they have learned at the Institute.

During the year, IFS reviewed its staff induction and training programme, using feedback from staff at all levels to identify gaps in skills and experience and to update the training to address these. Particular areas identified for further development included writing skills and management training: additional training was provided in both areas. During 2022, in-house training for research staff included research skills, media training, writing and presentation skills, Stata, coding and other analytical skills, while there was training for support staff in social media, design, membership management and other communication skills. Most of the training can now be carried out in-person again, although we have made a habit of recording a number of core training sessions so that those who cannot attend are able to view them.

Three new graduate economists were taken on in 2022 (2021: two), as well as two postdoctoral researchers (2021: one).

The Institute also runs a summer internship programme. In 2022, four students (2021: six) were taken on for six-week placements, working with research teams on projects that gave them a taste of the type of work undertaken by new research economists.

In order to encourage diversity and openness in our recruitment process, we continued to look at our recruitment materials to ensure that they are accessible, to provide information to demystify the recruitment and interview process, and to advertise our vacancies widely, in line with our Equality, Diversity and Inclusion policy. For the second year in a row, we held our own virtual recruitment event designed to give prospective applicants an introduction to IFS and an opportunity to ask questions directly to researchers. Over 250 students attended the Zoom meeting, representing universities across the country.

IFS researchers and communications staff are involved in the Royal Economic Society initiative, #DiscoverEconomics, which aims to attract more women, minority students and students from state schools and colleges to study the subject at university. IFS has also been working with a range of think tanks and social policy research organisations to run recruitment events aimed at minority and potentially disadvantaged groups. During the summer of 2022, we hosted four sixth-form students, via a programme run by the Nuffield Foundation to offer experience of quantitative research to young people from under-represented backgrounds.

Each year, IFS holds a day of talks on issues in public economics of interest to undergraduates in economics and related disciplines. The aim is to focus on the policy implications of research carried out at the Institute. The day also includes a session with IFS researchers talking about their careers in order to promote both IFS recruitment opportunities and working as an economist in public policy more generally.

In 2022 we held four courses (2021: seven) under the auspices of the Centre for Microdata Methods and Practice, a joint enterprise with University College London. We also ran two masterclasses (2021: two) and five workshops (2021: two). The courses were held online, but we were pleased that the other events could be held in-person. We had a combined total of around 90 attendees on the courses (2021: 100).

Governance

Strategic oversight

A senior team comprising the director, deputy directors, deputy research directors, and heads of finance and operations (and ICT when needed) meets fortnightly, in-person or remotely, to coordinate and track progress on governance issues, and matters relating to staff, the research programme and finances. A wider management group – comprising the above group and all research team leaders and the heads of communications and research services – meets approximately six times a year in order to ensure that issues relating to individual projects and staffing are picked up.

Staff welfare and working practices

The organisation's policy on home working has remained the same since the resumption of office working after the pandemic: staff are based mostly in our offices, but with the opportunity for some home working for many roles.

The organisation has continued to monitor, and implement policies to safeguard, staff mental health. We are also gauging attitudes to equality, diversity and inclusion amongst staff and introducing discussions of key issues around the running of the organisation at all-staff meetings.

IFS impact in 2022

43
top five journal articles past decade (2013–22)

135
top field journal articles past decade

258
front pages
(165 in 2021; 218 in 2020)

493
press interviews
(249 in 2021; 282 in 2020)

216
Hansard mentions
(149 in 2021; 186 in 2020)

2022 in numbers

Academic and policy publications and events	2022	2021	2020	2019
Journal articles	81§	48	39	34
Top five*	3	2	3	3
Top field journals†	21	13	9	7
Working papers	105§	67	73	64
IFS reports and briefing notes	55	44	63	44
Comments◊	79	42	43	35

* *American Economic Review (AER), Econometrica (ECMA), Journal of Political Economy (JPE), Quarterly Journal of Economics (QJE), Review of Economic Studies (ReStud)*

† *Journal of Health Economics, Journal of Labor Economics, Journal of Human Resources, Review of Economic Dynamics, Journal of Public Economics, Journal of Econometrics, RAND Journal of Economics, Review of Economics and Statistics, Journal of Economic Literature, Economic Journal, Journal of the European Economic Association, European Economic Review, Journal of Monetary Economics, Quantitative Economics*

§ A new research information platform for tracking publications has made it possible to discover a greater number of publications by staff and associates.

◊ The 2022 figure is for Comments, a new format that replaces the former categories Observations, newspaper articles and blogs. Figures for earlier years are for Observations only.

Type	2022	2021	2020	2019
Press releases	100	56	62	32
Newspaper articles and comment pieces	41	35	35	61
Broadcast mentions	14,193	6,969	5,952	8,492
Print mentions	3,663	3,189	3,243	3,272
Front pages	258	165	218	129
Online mentions	30,191	19,771	15,875	20,479
Interviews given	493	249	282	180
Website visitors	1,537,145	1,243,754	1,221,630	710,570
Twitter impressions (monthly average)	1,310,083	1,361,750	837,500	738,000
IFS events	45	49	46	40
Event attendance	5,955	5,821	6,909	3,900
Views of event videos	32,300	28,500	53,000	N/A

Hansard mentions	216	149	186	165
Evidence given	17	12	15	9

Priorities for 2023 and beyond

Academic excellence

As mentioned above, the ESRC Centre for the Microeconomic Analysis of Public Policy (CPP) at IFS has received funding for five years, starting from October 2020. CPP will continue to underpin the full research programme at IFS, as well as supporting postdoctoral researchers and PhD students to work at the Institute and collaborate with researchers.

Key new research grants for 2023

IFS researchers continue to embed questions about how to encourage post-pandemic recovery into paid work across our full range of research programmes. A number of the research programmes mentioned above will be continuing into 2023 and beyond. In addition, the following specific new projects are already funded and due to begin during the year.

The long-run impact of the education maintenance allowance

Around 15% of 25- to 34-year-olds in the UK have not completed upper secondary education. Leaving education without a qualification at upper secondary level is associated with poor subsequent labour market outcomes and usually precludes participation in further or higher education at tertiary level. Low upper secondary completion rates are therefore a major policy concern.

In this project, with funding from the Nuffield Foundation, our aim is to investigate the effects of the education maintenance allowance (EMA) – a government programme that raised upper secondary participation rates – on tertiary education and labour market outcomes. Under the EMA, pupils between the ages of 16 and 19 are paid up to £30 per week during term time for continuing their education. The EMA was introduced nationwide in 2004 after a pilot scheme that began in 1999. In England, the programme was replaced by the less generous 16–19 bursary in 2011; the original programme continues in Wales, Scotland and Northern Ireland.

Minimum wages, taxes and transfers, and low-income workers

Tackling high rates of inequality and in-work poverty has become central to public policy agendas in many developed countries. Policymakers have often turned to two particular tools: cash transfers (sometimes called 'tax credits') from the government to low-income workers or to firms that hire them, and minimum wages. But the impacts of these policies, and in particular their role in reducing poverty and increasing living standards, cannot be adequately understood independently from one another. Understanding how these key tools combine, and how their effects are shaped by the wider economic and policy environment, is crucial for building the mix of policies that is best targeted at boosting living standards for low-income workers.

Studying these questions will help provide a thorough assessment of the value of tax credits, other tax reforms, and minimum wages – and how they depend on other parts of the economic environment. IFS researchers are working with researchers from France, Germany and the UK, studying them in a parallel way across these countries. The different settings that these countries provide will allow us to shed light on the institutional arrangements and background conditions that shape the effects of these policies.

This project, with funding from the ESRC, seeks to enhance our understanding of such policies in several key ways.

First, we will study how providing tax credits to low-income workers can affect their wages. Such transfers incentivise more people to work – but that potentially allows employers to reduce the wages they offer. This is of crucial importance – if wages do fall in response to the introduction or expansion of tax credits, that fundamentally undermines their purpose.

Second, we will examine what the relationship between tax credits and wages depends upon. For example, minimum wages provide a floor which wages cannot fall below – so using minimum wages and tax credits together might prove to be an effective way to boost low-income workers' living standards. The tax-credit–wage relationship might also depend upon the presence of unions, which can strengthen workers' bargaining power; or it might depend upon how many employers there are and thus what kind of bargaining power they have.

Third, we will analyse how tax credits, other tax or transfer policies, and minimum wages work together to affect household incomes. Tax credits have a direct effect on household incomes, but – as discussed already – they might reduce workers' wages. At the same time, they could increase employment, boosting household incomes. Minimum wages can affect not only those actually on the minimum wage, but also those paid a little above as employers raise wages to maintain pay differentials; and minimum wages might reduce employment. We will bring together several tools and data sets to comprehensively study the effect of these policies and how they fit together to affect rich and poor households' incomes.

Pensions Commission

With funding from the abrdn Financial Fairness Trust, the overarching aim of this review is to produce a comprehensive assessment of the consequences of current pension policy, the economic environment and individual behaviour for the future of living standards in retirement. We will make clear recommendations as to policies that would improve individuals' outcomes, particularly for those who are likely to be financially insecure or have falling living standards in retirement. We will communicate our findings widely and effectively across government, the pensions industry and third sector organisations.

Our review will be led by a senior team of IFS researchers, supported by a steering group of three leading external figures with experience of government, public policy, industry and consumer engagement whose views will help shape practical recommendations arising from the evidence generated. The review will include robust, evidence-based analysis of people's ability to achieve financial security in old age and to manage the risks that they (as opposed to employers, the state or insurance companies) are having to bear, and changes to the retirement saving system that could improve outcomes.

IFS is uniquely placed to deliver such a programme. We are independent and have the necessary wide-ranging expertise across the broad spectrum of issues that it is important to address in a detailed and comprehensive consideration of the retirement saving system. This should include not just private pensions, but also other private assets including housing, the state pension system, the labour market (including the rise of self-employment and the 'gig economy'), the timing and nature of retirement, the wider tax and benefit system and long-run pressures on the public finances. We have excellent networks with all key stakeholders, and will work with a larger advisory group to understand the viewpoints of policymakers, industry, advisors, employers and individuals. Our advisory group includes representatives of wider groups – such as younger people, equalities groups and the self-employed – to establish understanding among these stakeholders of the issues at play, and to build consensus around any recommendations. As well as reaching out separately to policymakers in Whitehall, we will present our findings privately to members of the main political parties.

Communication and stakeholders

As an institute, our overarching aim is to conduct wide-ranging, high-quality microeconomic research to help inform evidence-based policymaking and improve the quality of public scrutiny and debate at local and national levels. Strengthening and extending our knowledge exchange and impact strategies and encouraging learning, development and innovation are therefore key to our success.

We will build on experiences during remote working to increase and improve the digital and online aspects of our communications strategy, even after a general return to office working. This will allow us to reach a wider audience.

We have three overarching aims to widen our impact:

- To develop stronger engagement, relationships and impact with three key stakeholder groups: business, central government, and local and devolved governments. This will lead to improved understanding, engagement and knowledge exchange. In turn, this will inform our own research programmes, build coalitions of funders, and impact on these actors' understanding and policies.
- To improve public understanding of our research, economic principles and public policy. This is a huge task to set ourselves as a small organisation but it is an increasingly vital role for research organisations wanting to have the ultimate effect of improving policy. To provide information directly to the public, we secured funding from Friends Provident to build a website, TaxLab, which holds accessible materials, including videos, graphics and summaries of research, on the subject of tax. We will add to the resources already on the site over the coming years.
- To train and develop research and support staff at all career stages. The ultimate objective is to ensure the sustainability of our impact capacity and to ensure that we build on our past successes in creating new generations of researchers who can go on to influential positions in academia and public policy, where they can have long-term positive impact on policy and public understanding.

Capacity building

As mentioned above, our aim is to train and develop research and support staff at all career stages.

We have taken on five new recruits in 2022 who will be trained and developed over the year. In the autumn of 2023, at least three new graduates will start work at IFS and will be trained in research and communication skills, working alongside more experienced researchers and Research Fellows and Associates, who are leaders in their fields from universities in the UK and overseas.

We plan to take on a further five postdoctoral fellows from September 2023 on one- or two-year contracts, as well as an additional one-year placement for a postdoctoral researcher at a UK institution, with funding from the ESRC to increase the skills and policy understanding of early-career researchers.

The Institute will also host a number of graduate students, who will work on PhDs under the supervision of senior staff, working alongside researchers whose research interests they share. The specific expertise of these individuals will feed into related research programmes and will enrich the knowledge of colleagues through frequent seminars and interchange of views. The students themselves will benefit from the stimulating intellectual environment at IFS and they are likely to go on to research or teaching posts in the future, where they will be able to apply what they have learned. We will also be offering annual placements for PhD students of between six months and a year, with the aim of enriching their PhD studies with policy research experience and allowing them to expand their networks.

Over the summer, we will host between six and eight economics students in paid internships. The students will work on projects with IFS researchers to give them a flavour of what policy-relevant research is like. We will also host work experience students in collaboration with the Higher Education Access Network, as part of our commitment to diversity. Throughout our recruitment process, we will continue to look for ways to encourage diverse applicants to apply and to recruit staff from a range of backgrounds. We have developed a new Equality, Diversity and Inclusion policy, which feeds into our recruitment strategy.

Strategic Report

Financial review

The results for the year ended 31 December 2022 are presented in the statement of financial activities on page 29. The level of activity was approximately 3% higher in 2022 than in 2021, driven by an increase in other income and donations. Total income was £9,175,531 (2021: £8,771,724) and total expenditure was £8,746,749 (2021: £8,476,119).

The statement of financial activities shows an overall surplus for the year ended 31 December 2022 of £428,782 (2021: £295,605), representing a small deficit on charitable activities of £1,507 (2021: £228,504 surplus).

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 43% of the income recognised in 2022 was provided by the Economic and Social Research Council (44% in 2021), this funding covers a wide range of projects.

The investment policy of the Board of Trustees has been to invest cash reserves in interest-bearing accounts and not to risk any of the principal. At the end of the year, £1,255,269 (2021: £1,243,186) was held in a COIF Charities Deposit Fund and £5,356,403 (2021: £4,368,227) was held in cash.

Reserves policy

The reserves policy is twofold: one, to hold funds for working capital purposes and as a contingency, should sufficient new funding not emerge or should existing contracts be cancelled; and two, to reflect the net book value of fixed and intangible assets.

As at 31 December 2022, the Institute's total reserves were £3,838,610 (2021: £3,409,828), comprising the unrestricted General Fund of £3,651,909 (2021: £3,279,270), the unrestricted Fixed Asset Fund of £58,819 (2021: £62,377) and the unrestricted

	2022	2022	2022	2021	2021	2021
	Unrestricted	**Restricted**	**Total**	**Unrestricted**	**Restricted**	**Total**
Cash and cash equivalents	4,201,549	2,410,123	6,611,672	3,744,158	1,867,255	5,611,413
Less net grants received in advance	(386,638)	(1,923,841)	(2,310,479)	(283,327)	(1,392,622)	(1,675,949)
Cash holdings (excluding net project grants received in advance)	3,814,911	486,282	4,301,193	3,460,831	474,633	3,935,464
Other working capital	(163,002)	(486,282)	(649,284)	(181,561)	(474,633)	(656,194)
General Fund	3,651,909	-	3,651,909	3,279,270	-	3,279,270
No. of months of forecast expenditure (excluding direct project costs)	6.1			5.5 months		
Target level for the General Fund: (6 months' forecast expenditure, excluding direct project costs)	£3.6m			£3.6m		

General Fund	3,651,909	-	3,651,909	3,279,270	-	3,279,270
Fixed Asset Fund	58,819	-	58,819	62,377	-	62,377
Intangible Asset Fund	127,882	-	127,882	68,181	-	68,181
Total reserves	**3,838,610**	**-**	**3,838,610**	**3,409,828**	**-**	**3,409,828**

Intangible Asset Fund of £127,882 (2021: £68,181).

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.

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

The Intangible Asset Fund comprises IFS's investment in a new website, launched in 2022, which is being paid for out of the General Fund. Now the site has been launched, the value of the asset, and this fund, will reduce on a straight-line basis over three years.

Principal risks and uncertainties

The Board of Trustees 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 Board of Trustees 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 ESRC for a large proportion of the Institute's research funds. 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 relates 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 become 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. The pay and review process for Research Economists was reviewed and reformed in 2021, with a new system in place for all new hires. 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 it is imperative to maintain the quality of our research. 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 and Social Research Association (SRA) ethical guidelines, and rulings of the UCL Research Ethics Committee. Any interactions with research participants are governed by this code and by established ethics principles and obligations. 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.

IFS's landlord is due to sell its stake in the building by April 2023, which increases the likelihood that IFS will need to find new offices at some point in the medium term. It should be noted that IFS has protected tenant status under the 1954 Landlord and Tenant Act until at least June 2025. There is a risk in the future that IFS will not be able to find suitable offices at an affordable rate in the vicinity of University College London and near to Westminster, both of which are important for collaboration with colleagues and stakeholders. IFS has undertaken a legal review of its lease to understand its rights and financial risks under a new landlord, and has formed a working group to understand future office requirements and the availability of suitable new accommodation should it be required to move.

With price and wage inflation running at unusually high levels, the impact this could potentially have on IFS's cash reserves, and staff retention and welfare, has been discussed by senior management and the IFS Trustees. In consultation with staff representatives, IFS awarded a progressive pay settlement that disproportionately benefited lower earners. Furthermore, it was decided that during 2023, a new Investment Committee would be established with the aim of maintaining the real value of IFS reserves as a whole over a 15 to 20 year timeframe, without risking the principal.

In light of the current conflict in Ukraine, IFS has reviewed all its current funding arrangements and can confirm that none of its income, be it research or otherwise, is clearly identifiable as being from Russian or Belorussian sources. Furthermore, IFS is aware of the severity of breaching current UK sanctions on Russia and is confident in the robustness of its processes, including due diligence and cross-departmental coordination, in avoiding an unintentional breach.

During 2022 the Audit Committee conducted deep dive risk reviews into the following areas:

- Investment policy risk;
- Property risk;
- Data and ICT risk;
- Funding risk;
- Research quality risk;
- Staffing risk.

Going concern

IFS has modelled and stress-tested its cash flows and this work concluded that it will have sufficient liquid resources (cash and investments that can be converted to cash) to continue to operate for at least 12 months from the date of approval of these financial statements.

The Board of Trustees considered the extreme scenario that no projects currently applied for were successful, that no further applications were submitted, that all debtors were delayed by three months whilst all creditors were settled in the current month, and that no cost mitigations were introduced whether on staff costs or capital investments, . Even in this case, which is not considered even remotely likely, IFS's cash position was not projected to turn negative in the 12 months from the date of signing of the accounts. Therefore the Board of Trustees remains of the view that there are no material uncertainties that call into doubt IFS's ability to continue. The financial statements have therefore been prepared on the basis that IFS is a going concern.

Governance and management

Constitution

The Institute for Fiscal Studies (IFS) was incorporated by guarantee on 21 May 1969. It is a private company limited by guarantee and has no share capital. It is a registered charity. The guarantee of each Company Law member ('Member') is limited to £1. The governing document is the Memorandum and Articles of Association of the Company and the members of the Board of Trustees (the 'Executive Committee) are the Directors of the Company and the Trustees.

Company Law members consist of the IFS Council members. At the end of November 2022, the number of guarantors was 50 (50 at the end of November 2021), four of whom were elected by the IFS members. The Articles contain the provision that the IFS Council be expanded to no more than 50 persons and that it shall consist of 45 members elected by Council and five members elected by the wider IFS membership.

Members of the Board of Trustees

The Board of Trustees is established by the IFS Council: Trustees are elected by the Council from among themselves, and consist of at least seven and no more than twelve people, one of whom is the President of the Council. Trustees serve three-year terms, and will usually only serve a maximum of three terms. The Board of Trustees met five times during the year. Committee membership during 2022 was:

- Jonathan Athow;
- James Bell;
- John F. Chown;
- David Gregson;
- Peter Kane;
- Caroline Mawhood;
- Orna NiChionna;
- Gus O'Donnell (President, IFS Council);
- Michael Ridge (Chair);
- Nicholas Timmins.

As part of the organisation's governance review (see below), the Board of Trustees set up two subcommittees during 2019 to help improve scrutiny of the Institute's operations – a Nominations Committee and an Audit Committee. The remits and memberships of the committees, which continued to meet during 2022, are as set out below.

Audit Committee

The Audit Committee's overall objective is to give advice to the Board of Trustees on:

- the overall processes for risk, control and governance;
- management assurances and appropriate actions from external audit and internal audit (if appropriate) findings, risk analysis and reporting undertaken;
- the financial control framework and supporting compliance culture;
- accounting policies and material judgements, the accounts and the annual report, and management's letter of representation to the external auditors;
- whistle-blowing arrangements for confidentially, raising and investigating concerns over possible improprieties in the conduct of IFS business;
- processes to protect against fraud and corruption;
- the planned activity of internal audit (if appropriate) and external audit.

Membership during 2022: Jonathan Athow*, Peter Kane*, Caroline Mawhood* (Chair)

IFS staff attending: Carl Emmerson (Deputy Director), Slav Sikora-Sikorski (Head of Finance)

* Trustee

Nominations Committee

The Nominations Committee's objectives are:

- to develop and maintain rigorous and transparent procedures for appointments and re-appointments to the Council and the President, Trustees and its committees;
- to propose candidates for appointment to the Council and to the Board of Trustees;
- to formulate plans for succession and ensure that there is a transparent and fair procedure for the appointment of the President, Chair of Trustees, Honorary Officers, and members of the Council and Board of Trustees;
- to review regularly the composition of the Board and its committees (including their diversity, balance of skills, knowledge and experience) and make recommendations to the Board with regard to any adjustments that are deemed necessary;
- to review the results of the Board performance evaluation process that relate to the composition of the Board.

Membership during 2022: Frances Cairncross§, David Gregson*, Orna NiChionna*, Michael Ridge*¥ (Chair)

IFS staff attending: Carl Emmerson (Deputy Director), Emma Hyman (Head of Operations)

* Trustee; ¥ Chair of Trustees; § Member of Council

Induction and training of Trustees

New Trustees receive training and induction following their appointment. Trustees are kept up-to-date with IFS research by a rolling programme of research presentations made at each meeting of the Board of Trustees.

Remuneration policy

The salary of the Director is determined by the Board of Trustees 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 is reviewed by the Director and, where appropriate, 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 2022, the services of the Research Directors, Rachel Griffith, Fabien Postel-Vinay and Imran Rasul, were provided by the University of Manchester (Griffith) and UCL (Postel-Vinay and Rasul) under contracts that reimburse the universities for an agreed percentage of the individual's salary, National Insurance and pension costs. Further details on these amounts are included in note 8 to the accounts.

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 also comprises the Deputy Directors, Carl Emmerson, Robert Joyce and Helen Miller, the Deputy Research Directors, Monica Costa Dias and Sonya Krutikova, and the Research Directors, Professors Rachel Griffith, Fabien Postel-Vinay and Imran Rasul.

The Board of Trustees delegates the operational responsibilities of the Institute to the Director of the Institute via a 'Scheme of Delegation', and he in turn delegates various duties to senior staff.

In 2022, the Institute employed directly an average of 73 (2021: 87) full- and part-time staff usually based at its office in Ridgmount Street, London. Research staff are divided into sectors, and administrative staff provide support facilities.

The Institute also employed indirectly 12 (2021: 12) 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.

Statement of policy on fundraising

Section 162A of the Charities Act 2011 requires us to make a statement regarding fundraising activities. We do not undertake widespread fundraising activities with members of the public, although we do accept donations or offers from partners to contribute to work that we undertake. The legislation defines fundraising as 'soliciting or otherwise procuring money or other property for charitable purposes'. Such amounts receivable are presented in our accounts as 'donations and legacies'. We do not use professional fundraisers or 'commercial participators' or any other third parties to solicit donations. We are therefore not subject to any regulatory scheme or relevant codes of practice, nor have we received any complaints in relation to fundraising activities.

Charity Governance Code

In July 2017, the new Charity Governance Code was published setting out recommended practice. The Board of Trustees is supportive of the principles set out in the code and is keen to ensure that these are built into the governance of the organisation. To this end, during 2019, Trustees carried out a detailed review of its governance policies and procedures with reference to the code and agreed on a plan to put in place measures to comply where appropriate. The plan is now being implemented.

The Committee noted the updates made to the governance code in 2020, relating to integrity and to diversity. Integrity has always been central to the values of the Institute and a sine qua non for staff, Trustees and collaborators. The Trustees are satisfied that their procedures are in keeping with the revised code and are appropriate to uphold integrity to a high standard.

In the light of updated principles relating to diversity and inclusion, the Nominations Committee has considered these criteria when looking at the make-up of the Board of Trustees and of the Council. In particular, the Trustees are delighted that they have been able to increase both gender and ethnic diversity on the Council, a step that was much needed and a trend that they will strive to continue.

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;
- to observe the methods and principles in the Charities SORP;
- to make judgements and accounting estimates that are reasonable and prudent; and
- to 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 auditor is 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 auditor is 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 UK governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

Approved and authorised for issue by the Board of Trustees and signed on their behalf by

Michael Ridge

Michael Ridge, Chair of Trustees

1 June 2023

Company registered number: 00954616

Registered Charity: 258815

Auditor's report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE INSTITUTE FOR FISCAL STUDIES

Opinion on the financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the Charitable Company's affairs as at 31 December 2022 and of its incoming resources and application of resources 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.

We have audited the financial statements of The Institute for Fiscal Studies ("the Charitable Company") for the year ended 31 December 2022 which comprise the Statement of Financial Activities, the Balance Sheet, Statement of Cash Flows, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain independent of the Charitable Company in accordance with the ethical requirements relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions related to going concern

In auditing the financial statements, we have concluded that the Trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Charitable Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Trustees with respect to going concern are described in the relevant sections of this report.

Other information

The Trustees are responsible for the other information. The other information comprises the information included in the Trustees' Report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Trustees' Report, which includes the Directors' Report and the Strategic report prepared for the purposes of Company Law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- the Strategic report and the Directors' Report included within the Trustees report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Charitable Company and its environment obtained in the course of the audit, we have not identified material misstatement in the Strategic report or the Trustees' report.

We have nothing to report in respect of the following matters in relation to which 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 Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Trustees

As explained more fully in the Trustees' responsibilities statement, the Trustees (who are also the directors of the charitable 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, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustees are responsible for assessing the Charitable Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intend to liquidate the Charitable Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under the Companies Act 2006 and report in accordance with the Act and relevant regulations made or having effect thereunder.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Based on our understanding of the Charitable Company and the sector in which it operates, we identified that the principal laws and regulations that directly affect the financial statements to be the Companies Act 2006 and the Charities Act 2011. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statements items.

In addition, the Charitable Company is subject many other laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for instance through the imposition of fines or litigations. We identified the following areas as those most likely to have such an effect: employment law, data protection and health and safety legislation. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Trustees and other management and inspection of regulatory and legal correspondence if any.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting inappropriate journal entries to manipulate results and management bias in accounting estimates.

The audit procedures to address the risks identified included:

- Discussions with management, including considerations of known or suspected instances of non- compliance with laws and regulations and fraud;
- Review minutes of meetings of those charged with governance and reviewing correspondence with HMRC to identify any actual or potential

frauds or any potential weakness in the internal control which could result in fraud susceptibility;

- In addressing the risk of fraud, including management override of controls and improper income recognition, we tested the appropriateness of certain manual journals, reviewed the application of judgements associated with accounting estimates for indication of potential bias and tested the application of cut-off and revenue recognition. Identifying and testing journal entries, in particular review of manual journal entries posted to revenue and cash accounts, journals with unusual account combinations and journals including specific keywords.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's ("FRC's") website at: https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Charitable Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, and to the Charitable Company's trustees, as a body, in accordance with the Charities and Trustee Investment (Scotland) Act 2005. Our audit work has been undertaken so that we might state to the Charitable Company's members and trustees 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 Charitable Company, the Charitable Company's members as a body and the Charitable Company's trustees as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

Fiona Condron

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Fiona Condron (Senior Statutory Auditor)

For and on behalf of BDO LLP, statutory auditor

London, UK

08 June 2023

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

Financial reports

Statement of financial activities

Year ended 31 December		2022 Unrestricted £	2022 Restricted £	2022 Total £	2021 Total £
Income from:					
Donations and legacies	2	305,620	-	305,620	123,537
Charitable activities	3	1,205,064	7,448,255	8,653,319	8,647,483
Investment income	4	22,341	-	22,341	704
Other income		194,251	-	194,251	-
Total income		1,727,277	7,448,255	9,175,531	8,771,724
Expenditure on:					
Raising funds	6	91,923	-	91,923	57,140
Charitable activities	6	984,490	7,670,336	8,654,826	8,418,979
Total expenditure		1,076,413	7,670,336	8,746,749	8,476,119
Net income		650,863	(222,081)	428,782	295,605
Transfers between funds	14	(222,081)	222,081	-	-
Net movement in funds		428,782	-	428,782	295,605
Reconciliation of funds:					
Total funds brought forward	15	3,409,828	-	3,409,828	3,114,223
Total funds carried forward	15	3,838,610	-	3,838,610	3,409,828

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

Balance sheet

As at 31 December		2022	2021
		£	£
Fixed assets			
Tangible assets	10	58,819	62,377
Total fixed assets		**58,819**	**62,377**
Intangible assets	11	127,882	68,181
Total intangible assets		**127,882**	**68,181**
Current assets			
Debtors	12	1,683,373	2,176,801
Short-term deposits		1,255,269	1,243,186
Cash at bank and in hand		5,356,403	4,368,227
Total current assets		**8,295,046**	**7,788,214**
Liabilities:			
Creditors: amounts falling due within one year	13	(4,643,137)	(4,508,944)
Net current assets		**3,651,909**	**3,279,270**
Net assets		**3,838,610**	**3,409,828**
Total funds:			
Unrestricted funds			
-General Fund	14	3,651,909	3,279,270
-Fixed Asset Fund	14	58,819	62,377
-Intangible Asset Fund	14	127,882	68,181
		3,838,610	**3,409,828**
Restricted funds	14	-	-
Total		**3,838,610**	**3,409,828**

Approved and authorised for issue by the Board of Trustees and signed on their behalf by

Michael Ridge

Michael Ridge, Chair of Trustees
1 June 2023

Company registered number: 00954616

Registered charity: 258815

Statement of cash flows

Year ended 31 December	2022	2021
	£	£
Reconciliation of net income to net cash flow from operating activities		
Net income for the reporting periods (as per the statement of financial activities)	428,782	295,605
Adjustments for:		
Depreciation charges	40,903	59,594
Amortisation charges	11,626	-
Interest on investments	(22,341)	(704)
Decrease / (increase) in debtors and accrued income	493,428	(56,781)
Increase in creditors and accrued expenses	82,815	30,278
Increase in grants received in advance of expenditure	51,378	889,457
Net cash generated from operating activities	**1,086,590**	**1,217,448**
Interest on investments	22,341	704
Purchase of intangible assets	(71,327)	(68,181)
Purchase of tangible fixed assets	(37,346)	(28,252)
Cash flows (expended on) investing activities	**(86,331)**	**(95,729)**
Change in cash and cash equivalents in the reporting period	**1,000,259**	**1,121,719**
Cash and cash equivalents at the beginning of the reporting period	5,611,413	4,489,694
Cash and cash equivalents at the end of the reporting period	**6,611,672**	**5,611,413**

Analysis of cash and cash equivalents	2022	2021
Short-term deposits	1,255,269	1,243,186
Cash at bank and in hand	5,356,403	4,368,227
Total cash and cash equivalents	**6,611,672**	**5,611,413**

No net debt reconciliation has been presented as the Institute has no borrowings or external debt.

Notes to the accounts

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) (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).

Going concern

IFS has modelled and stress-tested its cash flows and this work concluded that it will have sufficient liquid resources (cash and investments that can be converted to cash) to continue to operate for at least 12 months from the date of approval of these financial statements.

The Board of Trustees considered the extreme scenario that no projects currently applied for were successful, that no further applications were submitted, that all debtors were delayed by three months whilst all creditors were settled in the current month, and that no cost mitigations were introduced whether on staff costs or capital investments. Even in this case, which is not considered even remotely likely, IFS's cash position was not projected to turn negative in the 12 months from the date of signing of the accounts. Therefore, the Board of Trustees remains of the view that there are no material uncertainties that call into doubt IFS's ability to continue. The financial statements have therefore been prepared on the basis that IFS is a going concern.

b) Tangible fixed assets and depreciation

All tangible fixed assets costing more than £1,000 (excluding VAT) 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 Board of Trustees has 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) Intangible assets and amortisation

All intangible assets capitalised are amortised over three years from the point when they are brought into actual use. The current end of 2022 balance represents the IFS website, which went live in August 2022.

d) 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.

e) Income – publications

Royalty income receivable from the publisher of the IFS-owned journal, *Fiscal Studies*, is recognised on an accruals basis and in accordance with the substance of the publishing agreement.

f) Income – research activities

Income from research activities is recognised when the Institute has entitlement to the funds, when it is probable that the income will be received and the amount can be measured reliably.

The Institute is usually entitled to research income in stages over the course of a project, subject to performance-related conditions requiring a particular level of service or output, often approximating to when related expenditure is incurred. In such cases, 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 related expenditure.

Where donations or grants are received without performance-related conditions, entitlement usually arises on receipt and research income is credited to the statement of financial activities when it falls due to be received.

g) Interest receivable

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

h) 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 on a basis consistent with the use of the resource, usually on a per-capita basis. Irrecoverable VAT is charged as a cost against the activity for which the expenditure was incurred.

i) Pension costs

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

j) Operating leases

Leasing charges in respect of operating leases are charged to the statement of financial activities as they are incurred.

k) Current asset investments – short-term deposits

Current asset investments include cash on deposit and cash equivalents held for investment purposes rather than to meet short-term cash commitments as they fall due.

l) 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 2022. Transactions in foreign currencies are calculated at the exchange rate ruling at the date of the transaction and Institute-wide foreign exchange gains or losses made during the year are taken into account in arriving at the net income for the year.

m) 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.

n) Critical accounting estimates and areas of judgement

Preparation of the financial statements requires some judgements and estimates to be made. The items in the financial statements where judgements and estimates are made include:

- judging the progress of multi-year research projects;
- estimating the useful economic life of tangible fixed assets;
- estimating the useful economic life of intangible assets; and
- estimates relating to the allocation of support costs across expenditure categories.

o) Funds

IFS maintains three internal funds, which include restricted and unrestricted funds.

Unrestricted – General Fund: these funds are derived from any unrestricted donations and grants received by IFS as well as from contracts for research which are unrestricted in nature. These are funds which can be used for any purpose within the charitable objects of IFS.

Unrestricted – designated Fixed Asset Fund: this fund represents resources set aside to cover future capital expenditure. The value of this fund at the year-end represents the net book value of tangible fixed assets and intangible assets.

Restricted – research funds: these funds represent grants and donations received to cover project expenditure on research projects. The restrictions are imposed by the funder, usually with respect to the specific research project being undertaken. The nature of the portfolio of research grants and contracts is such that in most cases income and expenditure are closely matched.

2. Membership and donations

	2022 £	2021 £
Corporate membership	127,895	90,021
Individual membership	35,225	33,456
	163,120	**123,477**
Other donations	142,500	60
	305,620	**123,537**

3. Income from charitable activities

IFS frequently collaborates with universities and other research organisations. The income classification below is based on the ultimate funder of the research.

	2022 Unrestricted £	2022 Restricted £	2022 Total £	2021 Unrestricted £	2021 Restricted £	2021 Total £
ESRC	-	3,860,644	3,860,644	-	3,777,987	3,777,987
Charitable trusts and foundations	12,301	1,977,239	1,989,540	-	1,443,259	1,443,259
Government (or similar)	865,589	1,553,009	2,418,598	734,018	2,393,398	3,127,416
Other organisations	228,904	57,363	286,268	160,930	36,304	197,234
Event income	48,311	-	48,311	43,802	-	43,802
Publications	49,958	-	49,958	57,785	-	57,785
	1,205,064	**7,448,255**	**8,653,319**	**996,535**	**7,650,948**	**8,647,483**

IFS receives funds in the form of project grants, directly and indirectly, from the UK and other national governments, other governmental agencies and international governmental bodies. These funds are tied to specific research-related activities in the course of the standard charitable activities of IFS. IFS does not receive any funding in the form of general government grants or assistance. Therefore, it is not felt to be necessary, useful or practical to disclose further analysis within these accounts.

4. Investment income

All investment income arises from money held in interest-bearing deposits.

5. Analysis of expenditure

Total costs include payments to third parties 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 income and, depending on the types of project undertaken, may vary significantly from year to year.

	Total charitable activities £	Raising funds £	Governance costs £	Support costs £	2022 total £	2021 total £
Research collaborations and subcontracts	1,322,836	-	-	-	**1,322,836**	1,307,167
Data costs and data collection costs	282,549	-	-	-	**282,549**	79,803
IFS travel, accommodation and subsistence	131,173	-	-	-	**131,173**	10,361
Visitor travel, accommodation and subsistence	(800)	-	-	-	**(800)**	538
Event, publication and dissemination costs	281,948	-	-	46,617	**328,565**	207,128
Other direct costs	43,955	-	-	-	**43,955**	96,670
Premises	-	-	-	656,897	**656,897**	582,136
IT and office costs	-	-	-	274,115	**274,115**	261,202
Other staff costs	-	-	-	128,317	**128,317**	52,898
Insurance and professional fees	-	-	44,435	88,685	**133,120**	109,485
Other	-	-	-	48,228	**48,228**	62,481
Total costs (excluding staff costs)	**2,061,662**	**-**	**44,435**	**1,242,860**	**3,348,957**	2,769,868
Staff costs (universities)	875,028	-	-	-	**875,028**	570,507
Research Fellows and Research Associates	59,025	-	-	-	**59,025**	105,850
	934,053	**-**	**-**	**-**	**934,053**	676,357
IFS staff costs (research)	3,412,051	27,478	21,555	-	**3,461,084**	3,993,374
IFS staff costs (events and dissemination)	-	31,110	-	380,318	**411,427**	397,152
IFS staff costs (research services)	-	17,200	-	154,803	**172,003**	179,836
IFS staff costs (central)	-	2,488	9,951	406,785	**419,224**	459,532
	3,412,051	**78,276**	**31,506**	**941,906**	**4,463,739**	5,029,894
Total staff costs (including Fellows and Associates)	**4,346,104**	**78,276**	**31,506**	**941,906**	**5,397,792**	5,706,251
Total expenditure (before allocation of support costs)	**6,407,766**	**78,276**	**75,941**	**2,184,766**	**8,746,749**	8,476,119
Allocation of support costs (including governance)	2,247,060	13,647	(75,941)	(2,184,766)	-	-
Total expenditure	**8,654,826**	**91,923**	-	-	**8,746,749**	8,476,119

Analysis of expenditure 2021	Total charitable activities £	Raising funds £	Governance costs £	Support costs £	2021 total £
Research collaborations and subcontracts	1,307,167	-	-	-	**1,307,167**
Data costs and data collection costs	79,803	-	-	-	**79,803**
IFS travel, accommodation and subsistence	10,361	-	-	-	**10,361**
Visitor travel, accommodation and subsistence	538	-	-	-	**538**
Event, publication and dissemination costs	121,747	393	-	84,988	**207,128**
Other direct costs	96,670	-	-	-	**96,670**
Premises	-	-	-	582,136	**582,136**
IT and office costs	-	-	-	261,202	**261,202**
Other staff costs	-	-	-	52,898	**52,898**
Insurance and professional fees	-	-	26,567	82,918	**109,485**
Other	-	-	-	62,481	**62,481**
Total costs (excluding staff costs)	**1,616,286**	**393**	**26,567**	**1,126,622**	**2,769,868**
Staff costs (universities)	570,507	-	-	-	**570,507**
Research Fellows and Research Associates	105,850	-	-	-	**105,850**
	676,357	**-**	**-**	**-**	**676,357**
IFS staff costs (research)	3,961,898	25,140	6,336	-	**3,993,374**
IFS staff costs (events and dissemination)	-	16,303	-	380,849	**397,152**
IFS staff costs (research services)	-	3,554	-	176,282	**179,836**
IFS staff costs (central)	-	-	22,472	437,060	**459,532**
	3,961,898	**44,997**	**28,807**	**994,192**	**5,029,894**
Total staff costs (including Fellows and Associates)	**4,638,255**	**44,997**	**28,807**	**994,192**	**5,706,251**
Total expenditure (before allocation of support costs)	**6,254,541**	**45,390**	**55,374**	**2,120,814**	**8,476,119**
Allocation of support costs (including governance)	2,164,438	11,750	(55,374)	(2,120,814)	-
Total expenditure	**8,418,979**	**57,140**	-	-	**8,476,119**

6. Expenditure

2022	2022 Unrestricted £	2022 Restricted £	2022 Total £	2021 Total £
Cost of raising funds				
Direct costs (membership programme)	-	-	-	394
Staff costs (direct)	78,276	-	78,276	44,997
Support and governance costs (allocation)	13,647	-	13,647	11,750
	91,923	-	**91,923**	**57,140**
Charitable activities				
Project costs	137,736	1,923,927	2,061,662	1,616,286
Staff costs (Total)	683,181	4,636,335	5,319,516	5,661,254
Support and governance costs (allocation)	163,573	1,110,074	1,273,647	1,141,439
	984,490	**7,670,336**	**8,654,826**	**8,418,979**
Total expenditure	**1,076,413**	**7,670,336**	**8,746,749**	**8,476,119**

2021	2021 Unrestricted £	2021 Restricted £	2021 Total £
Cost of raising funds			
Direct costs (membership programme)	394	-	394
Staff costs (direct)	44,997	-	44,997
Support and governance costs (allocation)	11,750	-	11,750
	57,140	-	**57,140**
Charitable activities			
Project costs	31,174	1,585,112	1,616,286
Staff costs (total)	594,211	5,067,043	5,661,254
Support and governance costs (allocation)	119,807	1,021,632	1,141,439
	745,192	**7,673,787**	**8,418,979**
Total expenditure	**802,333**	**7,673,787**	**8,476,120**

IFS initially identifies the costs of its support functions. It then identifies those costs which relate to governance. The remaining support costs together with the governance costs are apportioned between charitable activities and the cost of raising funds.

The cost of raising funds includes costs related to the IFS membership programme and costs related to activities focused on seeking funding. This includes some direct costs and direct staff time, as well as an allocation of support costs. Support costs are allocated on the basis of staff time.

Governance costs include the costs of external audit. Other governance costs relate primarily to costs associated with the AGM and Annual Lecture and dinner. £49 in expenses in total was claimed by IFS Trustees (1) during the year (2021: £0).

7. Net income

Net income is stated after charging:

	2022 £	2021 £
Depreciation	40,903	59,594
Amortisation	11,626	-
Auditor's remuneration		
-Audit fees	39,000	25,892
Operating lease rentals – property	375,000	375,000

Audit fees are stated net of VAT and disbursements.

8. Analysis of staff costs and key management personnel

	2022 £	2021 £
Wages and salaries	3,808,654	4,312,680
Social security costs	416,472	457,916
Pension costs	238,613	259,298
	4,463,739	**5,029,894**
Comprising:		
Researchers	3,461,084	3,993,373
Support staff	1,002,655	1,036,521
IFS payroll staff	**4,463,739**	**5,029,894**
Staff costs (universities)	875,028	570,507
Research Fellow and Research Associate payments	59,025	105,850
	5,397,792	**5,706,251**

IFS has agreements in place with several universities/institutions for the provision of an agreed proportion of the working time (typically 5–50%) of, during 2022, on average 12 (2021: 12) named, highly skilled individuals to carry out specific research duties at IFS in their areas of academic excellence. In 2022, £67,500 (2021: £85,000) of the amount for Research Fellows and Research Associates relates to these individuals.

During 2022, the Institute's Senior Management Team included the Director, Paul Johnson, and the Research Directors, Professors Rachel Griffith, Fabien Postel-Vinay and Imran Rasul. In 2022, the total compensation for these key management personnel, including amounts due to universities under contractual arrangements for the provision of an agreed amount of the Research Directors' time, was £530,936 (1.85 FTE) (2021: £642,683 (2.1 FTE)).

8. Analysis of staff costs and key management personnel (continued)

The numbers of employees whose emoluments (excluding pension contributions) were in excess of £60,000 are shown in the ranges below. In addition, pension contributions were paid by the Institute on behalf of these employees. The total sum of these contributions was £133,566 (for 22 employees) (2021: £147,858 for 26 employees).

	2022 number	2021 number
£60,001–£70,000	6	9
£70,001–£80,000	5	10
£80,001–£90,000	7	3
£90,001–£100,000	1	2
£100,001–£110,000	1	1
£120,000–£130,000	1	-
£220,000–£230,000	-	1
£230,000–£240,000	1	-
	22	26

9. Staff numbers

	2022 FTE	Average number	2021 FTE	Average number
Research staff				
Permanent contracts	34.0	37.8	40.5	43.4
Fixed-term contracts	9.5	11.8	14.0	18.4
Variable-hours contracts	0.3	4.5	2.6	4.7
	43.8	54.1	57.1	66.5
Central staff				
Events, publications, dissemination	7.2	8.2	7.2	8.0
Finance, HR, IT, central support	7.5	8.1	9.5	9.9
Research services	2.5	2.8	3.0	3.0
	17.2	19.0	19.7	20.9
Total	**61.0**	**73.1**	**76.8**	**87.4**
Full-time		50.3		60.1
Part-time		22.8		27.3

10. Tangible fixed assets

	Fixtures and improvements to short leasehold premises	Office equipment	Total
	£	£	£
Cost			
At 1 January 2022	787,637	351,153	1,138,790
Additions	-	37,346	37,346
Disposals and assets no longer in use	(6,030)	(15,813)	(21,843)
At 31 December 2022	**781,607**	**372,686**	**1,154,293**
Depreciation			
At 1 January 2022	770,699	305,714	1,076,413
Charge for the year	10,150	30,753	40,903
Disposals and assets no longer in use	(6,030)	(15,813)	(21,843)
At 31 December 2022	**774,819**	**320,654**	**1,095,473**
Net book value			
As at 31 December 2022	**6,788**	**52,031**	**58,819**
As at 31 December 2021	16,938	45,439	62,377

11. Intangible assets

	IFS website	Total
	£	£
Cost		
At 1 January 2022	68,181	68,181
Additions	71,327	71,327
At 31 December 2022	**139,508**	**139,508**
Amortisation		
At 1 January 2022	-	-
Charge for the year	11,626	11,626
At 31 December 2022	**11,626**	**11,626**
Net book value		
As at 31 December 2022	**127,882**	**127,882**
As at 31 December 2021	68,181	68,181

12. Debtors

	2022 Unrestricted	2022 Restricted	2022 Total	2021 Total
	£	£	£	£
Accrued income	114,041	926,959	1,040,999	1,624,152
Trade debtors	282,174	58,652	340,825	246,574
Other debtors	7,047	-	7,047	6,497
Prepayments	294,501	-	294,501	299,578
	697,763	**985,610**	**1,683,373**	**2,176,801**

13. Creditors

	2022 Unrestricted £	2022 Restricted £	2022 Total £	2021 Total £
Amounts falling due within one year				
Trade payables	94,113	112,842	206,955	189,984
Taxation and social security	110,011	-	110,011	123,990
VAT	57,387	-	57,387	45,009
Accruals	485,213	432,092	917,305	849,860
	746,724	**544,934**	**1,291,658**	1,208,843
Deferred income				
Balance at 1 January	**465,909**	**2,834,192**	**3,300,101**	**2,410,644**
Amount released to income	(419,732)	(2,614,689)	(3,034,422)	(1,772,310)
Amount deferred in the year	454,502	2,631,298	3,085,800	2,661,767
Balance at 31 December	**500,678**	**2,850,800**	**3,351,480**	**3,300,101**
Total creditors: amounts falling due within one year	**1,247,403**	**3,395,734**	**4,643,137**	**4,508,944**

As at 31 December 2022, total deferred income was £3,351,480 (2021: £3,300,101). This includes amounts received on multi-year projects, where the timing of the related expenditure may be more than 12 months from the balance sheet date, and where income has been recognised in line with expenditure representing the stage of completion. A proportion of this deferred income will therefore not be released to income until 2023 or 2024.

14. Analysis of movement in funds

2022	At 1 Jan 2022	Income	Expenditure	Transfers	At 31 Dec 2022
	£	£	£	£	£
Unrestricted funds					
General Fund	3,279,270	1,727,276	(1,076,414)	(278,224)	3,651,909
Fixed Asset Fund	62,377	-	-	(3,558)	58,819
Intangible Asset Fund	68,181	-	-	59,701	127,882
	3,409,828	**1,727,276**	**(1,076,414)**	**(222,081)**	**3,838,610**
Restricted funds					
Research funds	-	7,448,255	(7,670,336)	222,081	-
Total funds	**3,409,828**	**9,175,531**	**(8,746,750)**	**-**	**3,838,610**

2021	At 1 Jan 2021	Income	Expenditure	Transfers	At 31 Dec 2021
	£	£	£	£	£
Unrestricted funds					
General Fund	3,020,505	1,120,776	(802,333)	(59,679)	3,279,270
Fixed Asset Fund	93,718	-	-	(31,341)	62,377
Intangible Asset Fund	-	-	-	68,181	68,181
	3,114,223	**1,120,776**	**(802,333)**	**(22,839)**	**3,409,828**
Restricted funds					
Research funds	-	7,650,948	(7,673,787)	22,839	-
Total funds	**3,114,223**	**8,771,724**	**(8,476,120)**	**-**	**3,409,828**

Amounts have been transferred from the Fixed Asset Fund to the General Fund due to the decrease in the Fixed Asset Fund – the amount that represents the net book value of tangible and intangible fixed assets at the year-end.

Amounts have been transferred from the General Fund to restricted research funds to cover the overall deficit arising on the restricted research grants that completed during the year.

Amounts have been transferred from the General Fund to the Intangible Asset Fund to cover the build of the new IFS website.

Within restricted research funds are funds relating to projects where the agreement with the funder requests that the project funding is separately disclosed in the financial statements. During 2022, the income and expenditure on these grants was as set out below.

2022

Project name	Funder	Start date	End date	2022 income £	Accrued/(Deferred) income as at 31 Dec 2022 £
The Centre for Tax Analysis in Developing Countries – Phase 2 (TAXDEV II)	Foreign, Commonwealth & Development Office	11/11/18	31/10/22	1,033,938	355,746
Changing Patterns of Work in Later Life	Centre for Ageing Better	01/06/20	20/08/22	114,415	0
Taxation of Pensions	abrdn Financial Fairness Trust	01/07/21	28/02/23	99,060	6,782
Vocational Training, On the Job Training, and Resilience to the Covid-19 Shock	Massachusetts Institute of Technology	01/01/21	30/06/22	25,925	820

2021

Project name	Funder	Start date	End date	2021 income £	Accrued/(Deferred) income as at 31 Dec 2021 £
The Centre for Tax Analysis in Developing Countries – Phase 2 (TAXDEV II)	DFID	11/11/18	31/10/22	1,187,011	297,016
Changing Patterns of Work in Later Life	Centre for Ageing Better	01/06/20	20/08/22	98,209	(18,225)

15. Analysis of net assets between funds

	2022 Unrestricted £	2022 Restricted £	2022 Total £	2021 Unrestricted £	2021 Restricted £	2021 Total £
Intangible assets	127,882	-	**127,882**	68,181	-	**68,181**
Tangible fixed assets	58,819	-	**58,819**	62,378	-	**62,378**
Cash and cash equivalents	4,201,549	2,410,123	**6,611,672**	3,744,158	1,867,255	**5,611,413**
Net current (liabilities)	(549,640)	(2,410,123)	**(2,959,763)**	(464,889)	(1,867,255)	**(2,332,144)**
Net assets at 31 December	**3,838,610**	**-**	**3,838,610**	**3,409,828**	**-**	**3,409,828**

16. 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:

	2022 £	2021 £
One year	375,000	375,000
Two to five years	554,795	932,192

17. Pension scheme

The total pension cost to IFS for contributions to employees' pension schemes under IFS's group personal pension plans with Scottish Widows was £223,853 (2021: £243,842). In addition, two members of staff (2021: two) participated in other personal pension schemes, of their own choice, to which the Institute contributed £14,650 (2021: £15,456).

18. Related party transactions

No transactions between the charity and its Trustees, members of key management personnel and their connected parties have been identified which require disclosure. (2021: None)

19. Comparative information: statement of financial activities for the year to 31 December 2021

2021	2021 Unrestricted £	2021 Restricted £	2021 Total £
Income from:			
Donations and legacies	123,537	-	123,537
Charitable activities	996,535	7,650,948	8,647,483
Investment income	704	-	704
Total income	**1,120,776**	**7,650,948**	**8,771,724**
Expenditure on:			
Raising funds	57,140	-	57,140
Charitable activities	745,192	7,673,787	8,418,979
Total expenditure	**802,332**	**7,673,787**	**8,476,119**
Net income / (expenditure)	**318,444**	**(22,839)**	**295,605**
Transfers between funds	(22,839)	22,839	-
Net movement in funds	**295,605**	**-**	**295,605**
Reconciliation of funds:			
Total funds brought forward	3,114,223	-	3,114,223
Total funds carried forward	3,409,828	-	3,409,828

IFS