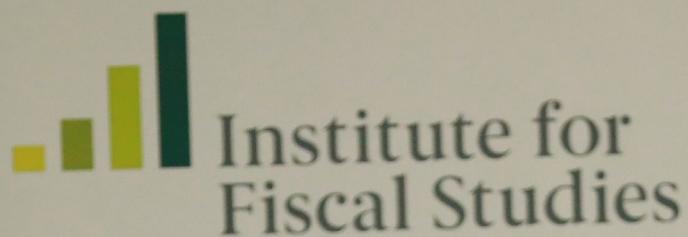




# Trustees' Report

Year ended  
31 December 2019



# Contents

---

Company information	1
Introduction from the Chair of Trustees	2
Objectives and activities	4
The objects of the Institute	
Strategic framework	
How has the Institute tried to further these aims?	
Review of 2019	5
2019 in numbers	
Priorities for 2020 and beyond	16
Strategic report	21
Financial review	
Reserves policy	
Principal risks and uncertainties	
Governance and management	23
Constitution	
Members of the Executive Committee	
Audit Committee	
Nominations Committee	
Induction and training of Trustees	
Organisational structure of the Institute and the decision-making process	
Remuneration policy	
Statement of policy on fundraising	
Charity Governance Code	
Trustees' responsibilities	26
Auditor's report	27
Financial reports	31
Statement of financial activities Balance sheet	
Statement of cash flows	
Notes to the accounts	34

# Company information

---

## **Company registered office**

7 Ridgmount Street

London

WC1E 7AE

## **Company registered number**

0954616 (Incorporated in England and Wales)

Registered charity

258815

## **Company bankers**

National Westminster Bank plc

City of London Office

1 Princes Street

London EC2R 8BP

## **Auditor**

BDO LLP

55 Baker Street

London W1U 7EU

# Introduction from the Chair of Trustees

---

I am pleased to present the Trustees' report of the activities of IFS in 2019, which marked the fiftieth anniversary of the founding of the Institute in 1969. To illustrate the contribution that IFS has made over the years to the use of economic analysis to inform policy, we held a series of celebratory events and published a suite of papers in our journal *Fiscal Studies*, written by IFS researchers, past and present.

Covering topics such as taxation, the working-age benefit system, education, and pensions policy, the events brought together panels of experts from IFS and elsewhere, along with a range of stakeholders and members of the public.



Over the year, IFS published research findings on a wide range of topics, including its Green Budget and annual reviews of trends in living standards, poverty and inequality and of education spending, as well as a new review of local government spending. 2019 also saw the launch of a large and ambitious project, which, over the next five years, will examine inequality in its many forms and make policy recommendations. The Deaton Review of Inequalities is led by Nobel Laureate, Sir Angus Deaton, and has brought together leading academics both in economics and in other disciplines; the review will also hear evidence from policymakers and others with an interest, as well as focus groups drawn from the general public.

The academic excellence of the Institute's research and researchers has once again been recognised. Research Director, Professor Imran Rasul, received the Yrjö Jahnsson Award in Economics, an award for a European economist under 45 years old who has made a particularly significant contribution in theoretical and applied economic research. Research Director, Professor Rachel Griffith, became President of the Royal Economic Society, the Society's first female President in over 35 years. IFS's ESRC Centre Director, Professor Sir Richard Blundell, was elected by US National Academy of Sciences, as one of only six European 'foreign member associates'.


Of course, the year was also marked by significant political events, not least the general election in December. IFS researchers worked to inform the election debate, as well as discussion around key fiscal events, with background papers and briefings.

This report highlights these, 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, currently 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' – will receive a further five years of Research Council funding. This will greatly contribute 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 2020, for example producing a range of new digital materials and running a series of public lectures at venues across the UK.

At the time of writing IFS, along with much of the country, is in lockdown. This has not stopped the Institute continuing to produce up-to-date, careful analysis of the extraordinary events as we navigate a health and economic crisis. This is a tribute to the commitment and determination of the staff at IFS.

I would like to thank my fellow Trustees for giving their time and expertise so generously throughout the year.



David Miles  
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. The Members of the Executive Committee confirm that they have complied with the duty in Section 17 of the Charities Act 2011 and have taken due regard of the Charity Commission's general guidance on public benefit. Examples of how the Institute has aimed to meet its public benefit are given in the review of 2019, where the Institute's achievements are reported.

## Strategic framework

IFS operates within a strategic framework agreed by the Executive Committee; the committee meets every year to discuss strategy with IFS staff, discuss issues 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 members.

## 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. We believe that 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 2019

In 2019, 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.

## Academic excellence

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

- Research Director, Professor Imran Rasul, received the Yrjö Jahnsson Award in Economics (joint with Oriana Bandiera). The award is given to a European economist under 45 years old who has made a particularly significant contribution in theoretical and applied economic research. Imran was also elected as Fellow of the British Academy.
- Research Director, Professor Rachel Griffith, became President of the Royal Economic Society. She is the Society's first female

President in over 35 years and becomes only the second woman to hold the post in the Society's 129-year history.

- IFS's ESRC Centre Director, Professor Sir Richard Blundell, was elected by US National Academy of Sciences, as one of only six European 'foreign member associates'. He is the only economist foreign member associate this year, and there is only one other in the UK in total. Members are elected in recognition of their distinguished and continuing achievements in original research.
- As an illustration of how research rooted in academic expertise can inform our understanding of society, IFS won the Royal Statistical Society's 'Statistic of the Year' award. The winning statistic was 58%: the proportion of those in relative poverty who live in a working household. The judging panel chose this figure as it highlights both the growth of in-work poverty and the need to rise to fresh welfare challenges. The last 20 years have seen a major shift in Britain, from poverty being largely seen as a problem of unemployment to an issue that is now seen to afflict working households too. The number was taken from the IFS report, 'Living standards, poverty and inequality in the UK: 2019'.



## Key new research grants

IFS research is funded through research grants, from the UK Research Councils and elsewhere (see financial review on page 21 for details). During the year, IFS was notified of the outcome of 54 research proposals, of which 29 were approved for funding (54% success rate). Given that the length of the decision process varies somewhat across funders, the number of applications evaluated was broadly comparable to 2018, but there was a more

noticeable drop in the success rate (in 2018: 62 evaluated, 46 approved, success rate of 74%). A total of 99 funded research projects were active in 2019, which is around the same number as in 2018 (102).

### Deaton Review of Inequalities

A major new project, one of the largest IFS has ever undertaken, was launched in May 2019, to look at inequalities which are at the forefront of today's public and policy debates. They have been linked to some of the most important political events and have sparked worldwide protest movements. There could hardly be a more pressing time to understand how inequalities arise, which ones matter, why they matter and how they should be addressed.

We see inequalities all the time, whether at the school gates, the hospital, when travelling round the country – or even a single town – or when turning on the news. But at any moment we typically encounter, or hear about, one specific type of inequality, a specific alleged cause of it or a specific proposed solution. Inequalities are too pervasive and too complex for us to stop at that. We need to step back and ask: how are different kinds of inequality related, which matter most, what are the big forces that combine to create them and what is the right mix of policies to tackle them?

The IFS Deaton Review, led by Sir Angus Deaton, aims to rise to that challenge. In the most ambitious study of its kind yet attempted, with funding from the Nuffield Foundation, we will aim 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. We will cover the full breadth of the population – not just what is happening at the very top and very bottom. We will examine what concerns people about inequality, what aspects of it are perceived to be fair and unfair, and how those concerns relate to the actual levels of inequality and the processes by which they are created. We will examine the big forces that drive inequalities – from technological change, globalisation, labour markets and corporate behaviour to family structures and education systems.

The project involves a larger number of IFS staff, as well as researchers elsewhere in the UK and overseas. Over the course of the next four years, the Review will draw on the leading minds across the social sciences to assemble the evidence on the causes and consequences of different forms of inequalities, and the ways that they can best be reduced or mitigated.





A multinational, multi-disciplinary panel of experts are leading the review. The panel comprises:

- Angus Deaton, Princeton
- Orazio Attanasio, IFS and Yale
- James Banks, IFS and Manchester
- Lisa Berkman, Harvard
- Tim Besley, London School of Economics
- Richard Blundell, IFS and University College London
- Paul Johnson, IFS
- Robert Joyce, IFS
- Kathleen Kiernan, York
- Pinelopi Koujianou Goldberg, Yale and World Bank
- Lucinda Platt, London School of Economics
- Imran Rasul, IFS and University College London
- Debra Satz, Stanford
- Jean Tirole, Toulouse School of Economics

More information can be found at:  
[www.ifs.org.uk/inequality/](http://www.ifs.org.uk/inequality/)

### Workers in health and social care

The National Institute for Health Research (NIHR) has launched a new set of Research Units to undertake research to inform decision-making by government and arms-length bodies. King's College London is hosting the Health and Social Care Workforce Research Unit (HSCWRU), in partnership with the IFS and Imperial College London. Of every 100 people working in England today 13 of them have jobs in health and social care. Nearly £2 out of every £3 spent on the NHS goes on paying its staff. The HSCWRU aims to help government by providing the answers to the workforce questions that affect both the quality and cost of health and social care services. The Unit is tackling a set of research questions agreed by government. In particular, IFS research focuses on analysing recruitment and retention.

### Doctors' labour supply

There is mounting evidence of wide variation across regions and providers in healthcare costs, treatments provided and patient outcomes. Variation exists even among clinicians working in the same hospitals and treating similar patients. This has led to recent efforts to understand better the effect of individual clinicians and different ways

of organising care on patient outcomes and medical productivity. But there is still limited research on this topic relating to healthcare in the UK: the aim of this project, 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.

### Graduate earnings

Newly available Longitudinal Education Outcomes (LEO) data shows how much UK graduates of different courses at different universities are earning either one, three or five years since graduating. They do this by linking up tax, benefits, and student loans data. IFS researchers have been using these data, in work funded by the ESRC, to increase understanding of the individual and social returns to higher education degrees over the entire lifecycle. The work will also advance the academic literature on modelling earnings dynamics. The research estimates the impact of undergraduate and postgraduate degrees in specific subjects and from specific institutions on the earnings and employment patterns of graduates over their lifetimes.

### Sanitation and use of toilets in India

With funding from the ESRC, researchers are looking at investments in sanitation in India. The research will improve our understanding of the causes of low levels of investment in, and use of, preventative health care in low-income settings. In particular, it will examine how the bargaining process within households affects the use of community toilets, and consider what role the incentives provided to different household members affect the use of sanitation.

### New businesses

The ESRC has awarded a New Investigator grant to early-career IFS researcher, Kate Smith. She is leading a comprehensive study of how specific features of the tax and broader policy environment affect the decision to start a business. This includes how to organise that business (e.g. the decision about whether to incorporate or not) and the ongoing decisions, such as on investment, that affect subsequent growth and survival. The research uses and develops state-of-the-art techniques in combination with novel panel data from UK administrative tax records.

## School effectiveness

School effectiveness is most commonly assessed through 'value-added' scores, which measure school outcomes relative to predicted outcomes based on school inputs (e.g. pupil prior attainment). A major concern with these measures is that they might be biased by factors that are not allowed for in this prediction. The aim of this project, which has been funded by the ESRC, is to estimate accurately school effectiveness and use these estimates to assess the extent of the bias in commonly used value-added measures.

## Pensions Consortium

IFS researchers have been pursuing an ongoing programme of work into pensions and saving. Funding was secured for two years from a consortium of funders across the pensions industry, as well as the ESRC. The last decade has seen substantial reforms affecting how people save for retirement. The programme of research is investigating changes in expectations, attitudes and behaviour that affect individuals' preparedness for retirement. Four main questions are included in the programme, which will help shape our understanding of how policy can support people in preparing for retirement:

- How have attitudes to saving and retirement changed in an evolving pensions landscape?
- Who is opting out after being automatically enrolled into a workplace pension?
- How are the self-employed saving for their retirement?
- How do people make choices between housing and pension saving?

## Understanding Society: impact of tax and benefit changes

IFS researchers are using data from the Understanding Society survey – the largest longitudinal household panel study of its kind, which provides vital evidence on life changes and stability. In collaboration with researchers from the University of Essex and building on existing research, this work uses Understanding Society data in conjunction with IFS's tax and benefit microsimulation model, TAXBEN. The project is developing the infrastructure of the simulation model so that in future it can investigate the impacts of tax and benefit policies on different people over long periods of their life, rather than simply in a single snapshot.

To coincide with the Budget and other fiscal events, IFS produces uniquely high-profile analysis of the distributional and incentive effects of tax and benefit policy. This analysis has hitherto been restricted to the snapshot effects by the lack of suitable longitudinal data. The analysis, which is used by government to inform policy decisions, will in future be more insightful and illuminating. Current work is also looking in particular at the gender pay gap and producing a labour market model, to assess the role of gender differences in commuting patterns and job-skill mismatch in driving the gender pay gap over the lifecycle.

## Labour market specialisation and low-skilled workers

The project, with funding from the Alan Turing Institute, examines the widespread concern that changes in the labour market may have curtailed the opportunities for workers to secure stable jobs offering decent prospects of career progression, and that the effects of these changes may have been especially severe for low-paid low-skilled workers. Central to this discussion are the impacts of technological advances which, while leading to higher aggregate income, might also affect inequality in labour market opportunities. Researchers are looking at the role of firm specialisation, including outsourcing, in shaping the opportunities of workers with different skills. The research employs data science techniques in conjunction with novel large-scale administrative data. These data will allow us to understand the changing structure of our labour market in unprecedented detail.

## Communication and stakeholders

IFS won the 2019 Prospect award for best UK economic and financial affairs think tank. The award was given in particular for 'highly authoritative number-crunching on education and, following the 70th anniversary of the creation of the NHS, also health'.

In 2019, IFS received UKRI funding for five years specifically to enhance the impact of our research in the form of a renewed Impact Acceleration Account. 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.

## Conferences and lectures

2019 was the fiftieth anniversary of the foundation of IFS, and a number of events took place to mark this birthday. In addition, with a general election and the ongoing debate about Brexit, our events brought together policymakers, academics and other experts to discuss significant issues of critical importance to the country. Some highlights are listed below.

- The 'IFS at 50' series of four events were attended by a total of 891 people, including over 200 delegates from national and local government and 185 from the private sector.
- More than 200 IFS staff, alumni and high profile invitees came to the Institute's fiftieth birthday celebration in May, including the then Secretary of State for Business, Energy and Industrial Strategy, Greg Clark MP.
- IFS held two general election events: a briefing event to launch manifesto analysis had 111 delegates, including 33 members of the press and 44 representatives from political parties and the civil service (including delegates from the head office of the Conservative, Labour and Liberal Democrat parties); and a panel event, including speakers from the Institute for Government and the UKRI, 'Separating fact from fiction' attracted 314 attendees from a broad range of backgrounds.
- We launched the IFS Deaton Review to a high-profile audience of 137, including six lords (including a former Chancellor), two MPs (including a former Leader of the Opposition), the adviser to the Prime Minister on equalities, the Head of Analysis at the Government Equalities Office, the Chief Economic Advisor at HMT, the Chief Economist at DfE, senior professors from a range of universities, the Chief Executive of the Behavioural Insights Team, the Chief Executive of the British Academy, the Global Head of Research at Citigroup, and the General Secretary of the TUC.
- Fifteen IFS researchers presented papers at the Royal Economic Society annual conference, held at the University of Sussex. In addition, researchers presented at a range of international conferences including the annual conferences of the American Economic Association in Atlanta and of the European Economic Association in Manchester.
- The IFS annual lecture with Penny Goldberg (World Bank and Yale) was attended by 297 people; this made it the best-attended annual lecture since at least 2012.



- To cope with increasing demand, the IFS Green Budget launch was spread out over three events: a press briefing, a corporate member briefing and a public briefing, which was attended by over 250 people.
- Researchers gave two public talks in partnership with the University of Manchester this year: Jack Britton on 'Is it fair to charge £9,250 for university tuition fees?' and George Stoye on 'Who should pay for health and social care?' The first was to an audience of over 200 people, primarily university students but also containing some senior school students and members of the public.
- We held a series of four online-only events for the first time, as part of the ESRC Festival of Social Science. All four have been watched by between 200 and 300 people each. Funding from the ESRC was used to purchase high-quality filming equipment and will allow us to hold similar in-house events for free in the future.
- We held three joint debates with the Chartered Institute of Taxation, covering: 'The powers of HMRC and the responsibility of citizens in today's world', 'Taxing commercial property – time to tweak business rates or replace with a land value tax?'; and 'The digital services tax'. Together these debates attracted around 300 people from business and government.

### 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. **Significant peer-**



**reviewed journal publications**, in leading academic and field journals, produced by IFS researchers and associates included:

- Oriana Bandiera, Myra Mohnen, Imran Rasul, Martina Viarengo, 'Nation-building through compulsory schooling during the age of mass migration', *Economic Journal*, January 2019, 10.1111/eoj.12624
- Raquel Bernal, Orazio Attanasio, Ximena Peña, Marcos Vera-Hernández, 'The effects of the transition from home-based childcare to childcare centers on children's health and development in Colombia', *Early Childhood Research Quarterly*, April 2019, 10.1016/j.ecresq.2018.08.005
- Mike Brewer, James Browne, Carl Emmerson, Andrew Hood, Robert Joyce, 'The curious incidence of rent subsidies: evidence of heterogeneity from administrative data', *Journal of Urban Economics*, November 2019, 10.1016/j.jue.2019.103198
- Jack Britton, Lorraine Dearden, Neil Shephard, Anna Vignoles, 'Is improving access to university enough? Socio-economic gaps in the earnings of English graduates', *Oxford Bulletin of Economics & Statistics*, April 2019, 10.1111/obes.12261
- Jonathan Cribb, 'Intergenerational differences in income and wealth: evidence from Britain', *Fiscal Studies*, October 2019, 10.1111/1475-5890.12202
- Rachel Griffith, Martin O'Connell, Kate Smith, Tax design in the alcohol market, *Journal of Public Economics*, April 2019, 10.1016/j.jpubeco.2018.12.005
- Bo Hou, James Nazroo, James Banks, Alan Marshall, 'Are cities good for health? A study of the impacts of planned urbanization in China', *International Journal of Epidemiology*, August 2019, 10.1093/ije/dyz031

Researchers published a range of reports relating to a broad spectrum of important policy areas.

The **IFS annual report on living standards, poverty and inequality** examines how 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. In the 2019 report, we focussed in particular on those people who are poorest in society, with two of the three main chapters focusing on poverty.

In September, researchers launched the second **IFS annual report for 2019 on education spending** in England. Education spending is the second-largest element of public service spending in the UK behind health, representing about £91 billion in 2018–19 in today's prices or about 4.2% of national income. The level of UK education spending has risen significantly in real terms over time, growing particularly fast from the late 1990s through to the late 2000s, before falling in real terms from 2010 onwards. Whilst important, such overall trends in total education spending tell us little about what has happened to the different areas of education spending. The report provided measures of spending per student in the early years, schools, further education and higher education back to the early 1990s. These series of day-to-day spending per pupil allowed researchers to understand how policy decisions have affected the resources available to students in different stages of education over the long run, and to inform both policymakers and those seeking to influence policymakers about the extent to which funding is currently below previous peak levels in different areas. The report also analysed the effects of the 2019 Spending Round and the longer-term spending options for policymakers.

Researchers looking at **local government** published a number of reports during the year. These examined aspects of local government funding, devolved taxation and support schemes for localised council tax. In addition, we published the first of what will be an annual report on the state of local government spending in the UK.

Publications were also launched around **key political and fiscal events**.

To inform debate surrounding the Conservative leadership campaign, researchers published two briefing notes: 'Boris Johnson's tax policies: what would they cost and who would benefit?' and 'Jeremy Hunt's tax and spending policies: what would they cost and who would benefit?'

The IFS Green Budget 2019 was published ahead of the Chancellor's Budget. When a government plans to pass a law, it often publishes a green paper. This is an opportunity to share its thinking and provoke



discussion. The Finance Bill is a law Parliament passes to renew taxes, propose new taxes and maintain the administration of the tax system. It enacts proposals announced in the Budget, which the Chancellor writes in secret. There's no green paper. This means important decisions about taxes, spending and public policy are made without consultation. So our annual Green Budget analyses the issues and challenges facing the Chancellor as he prepares for the Budget. The areas covered in the 2019 Green Budget by IFS researchers, and partners at Citi and the Institute for Government, were: the global outlook; recent trends to the UK economy; the UK economic outlook under different Brexit scenarios; the state of the public finances; fiscal targets and policy; the 2019 spending round; barriers to delivering new domestic policies; options for cutting direct personal taxes and supporting low earners; and a road map for motoring taxation.

Following the Budget statement itself, IFS researchers helped to explain its 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 on the day following the Budget to journalists and key civil servants, to explain the implications for the public finances, businesses and households. Similar

comment and analysis were carried out earlier in the year in response to the government's spending review.

Clearly a major feature of the 2019 political landscape was the snap election towards the end of the year. IFS created a special election website to share comment and new research with journalists and the public. We initially set out the six big economic challenges that needed addressing, which did not relate directly to Brexit. Although it was crucial to consider whether or not the UK was set to leave the European Union, and if so on what terms, other areas also needed to be explored and considered as part of the election debate.

Over the course of the election campaign, researchers published a series of briefing notes on topics relating to recent government policy and the parties' proposals, including:

- Levels and incidence of taxation, public spending and austerity; we looked in particular at the levels of taxation in other countries, with a view to putting some of Labour's proposed tax rises in context
- Early education and childcare spending, and higher education spending and reforms
- Public sector pay, employment, in-work poverty and the minimum wage
- Benefit changes, distributional impact, and increases in the state pension age
- Health care spending and provision
- Labour's nationalisation policy
- Distributional impact of personal tax and benefit reforms, 2010 to 2019
- Effect of taxes and benefits on UK inequality

During the year, a number of reports were published outlining the effectiveness of programmes that IFS researchers had studied, aiming to **improve outcomes for children or young people**. These included: the health effects of Sure Start in the UK; sustainable total sanitation in Nigeria; a home-visiting programme for disadvantaged young children in the UK; and a scheme promoting adolescent engagement, knowledge and health in Rajasthan, India.

## 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 2019, in-house training for research staff included media training, writing and presentation skills, Stata and other analytical skills, while there was training for support staff in social media, design, membership management and other communication skills.

Six new graduate economists were taken on in 2019 (2018: two), as well as two postdoctoral researchers (2018: three). In addition to research staff, the capacity to support research and its dissemination was increased by adding a Head of Digital, whose role is to enhance our digital offering, in particular our website, and help bring IFS research findings to a wide audience.

The Institute also runs a summer internship programme, and in 2019 eight students (2018: eight) were employed 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 took steps during the year to make our recruitment materials more accessible, to provide information to demystify the recruitment and interview process, and to advertise our vacancies more widely to reach a wider group. We worked on ensuring that the language and imagery used in our recruitment and other materials reflect our policy to embrace diversity. 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.

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. . Over 200 students signed up to attend the 2020 lectures in London. Support from the ESRC allowed us to film the lectures and make them available online. As part of the ESRC Festival of Social Science, we also held a series of live-streamed talks for students, which have been watched over 1,000 times in total.

The Centre for Microdata Methods and Practice (Cemmap) at IFS provides training courses and masterclasses for policymakers, practitioners, academics and students. During 2019, five training courses (2018: four) were held, as well as two masterclasses (2018: three) and 24 seminars (2018: 27).

During the year, staff served on a number of boards and committees contributing to better policymaking and understanding of public policy. These included: Orazio Attanasio as President of the European Economic Association, and on the Council of the Royal Economic Society; Carl Emmerson on the Social Security Advisory Committee and the advisory panel of the Office for Budget Responsibility; Paul Johnson on the Committee on Climate Change and the Banking Standards Board; Robert Joyce on the Social Metrics Commission; Helen Miller as chair of the Royal Economic Society's Communications Committee; and David Phillips on the Welsh Government's Tax Advisory Group, and part of the Scottish Parliament's external expert panel.

# 2019 in numbers

<b>Top five journal* articles past decade (2010 – 2019)</b>	<b>59</b>	<b>Front pages 2019</b>	<b>129</b>
<b>Top field journal<sup>◇</sup> articles past decade</b>	<b>150</b>	<b>Press interviews 2019</b>	<b>Today: 19 LBC: 19 BBC TV news: 14</b>

<b>Academic and policy publications and events</b>	<b>2019</b>	<b>2018</b>
Journal articles	42	44
Top five*	5	3
Top field journals <sup>◇</sup>	10	8
Working papers	64	68
IFS reports	43	39
Observations	36	29
Newspaper articles and blogs	61	73
IFS events	40	31
Event attendance	3,900	2,399
Hansard mentions	165	188

\* *American Economic Review, Econometrica, Journal of Political Economy, Quarterly Journal of Economics, Review of Economic Studies*

<sup>◇</sup> *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, The Review of Economics and Statistics, Journal of Economic Literature, The Economic Journal, Journal of the European Economic Association, European Economic Review, Journal of Monetary Economics, Quantitative Economics*



<b>Public engagement</b>	<b>2019</b>	<b>2018</b>
Press releases	32	30
Broadcast mentions	8,492	8,475
Print mentions	3,272	3,135
Front pages	129	82
Online mentions	20,479	17,068
Interviews given	180	160
Website visitors	710,570	503,057
Twitter impressions	738,000	663,000

<b>Election highlights</b>	<b>2019</b>	<b>2017</b>	<b>2015</b>
Broadcast mentions	3,494	2,196	2,300
Hard copy mentions	1,004	808	1,000
Front pages	58	30	75
Internet mentions	10,407	6,119	4,500
Election microsite visits	420,000	130,000	98,000
Election briefing notes	13		
Election Observations	12		
Election manifesto analysis views on YouTube	5,000		

# Priorities for 2020 and beyond

## Governance

In response to the coronavirus (COVID-19) crisis, IFS has taken a number of steps to ensure that work can continue, whilst protecting the health and safety of staff and partners. During lockdown, all staff have been able to work from home, with secure remote access to our internal network. Measures have been put in place to ensure that all staff are in regular contact with their managers and teams; staff meetings and seminars also take place frequently online.

Some issues have arisen relating to access to sensitive data sets, used for a number of research projects. In consultation with data owners, we have found solutions to allow access to these in most cases. For a small number of projects, where data collection is underway, different arrangements are being implemented and projects rearranged to accommodate the current situation. At the time of writing, there are only two projects that have been delayed beyond their expected deadlines.

In line with our mission to inform the public debate and support policymakers, IFS researchers are responding to the crisis with comment and analysis relating to the economic consequences of the virus and the lockdown. As set out below, we are in the process of applying for further funding for a range of research to help inform policymaking decisions at this difficult time.

## Academic excellence

The ESRC Centre for the Microeconomic Analysis of Public Policy (CPP) at IFS receives funding for five-year periods. It covers a broad research and dissemination programme and makes possible a flexible response to both scientific and policy

developments. The CPP has been accorded Institute status – one of just two in the country. The ESRC states that this is ‘to recognise its global centres of excellence with official ESRC Research Institute status. The move acknowledges those centres which have demonstrated sustained strategic value to the Council, as well as to the broader social science research landscape, with long-term, five-year funding.’ Funding for five years from 2020 has been confirmed at a similar level to the current grant.

The current Centre is funded until Autumn 2020; after this, the new status should mean that this funding stream will be more reliable and will have the potential to cover a broader research programme. Over the past years of the Centre, research has spanned multiple subject areas, and has been unified by a desire to develop a rigorous empirical foundation for improving public policy in a changing economic and social environment. Our future agenda will continue this focus and also address new challenges. We will exploit new data, including administrative data linkages, in the UK, the US, European countries and developing countries. We will interact with researchers worldwide, exploiting our unique research environment for capacity building in empirical policy research.



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 we expect to make important scientific advances and result in papers 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.

In terms of the research programme, 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; and demands on public expenditure and public services. We will carry out research in the areas of public finances and public spending, education and skills, health and social care, employment, pay and welfare, firm taxation and productivity, the tax and benefit system, consumer behaviour and indirect taxation, pensions and saving, devolution, the regions and local government, and policies and interventions in developing countries and in the UK.

## Key new research grants

We expect to carry out research across the full range of our areas of expertise in 2020. The following specific projects are already funded and due to begin during the year.

### Research relating to the consequences of the Coronavirus

In response to the urgent need for research to inform public policy in the face of the unprecedented situation brought about by the spread of the

Coronavirus, we will divert resources to this area. With funding from the ESRC, UKRI, the Nuffield Foundation and the Standard Life Foundation, we will look at issues including:

- Food purchasing behaviour during the crisis
- Analysis of the impact of COVID-19 on other types of hospital care
- The impact of COVID-19 on personal finances
- Research to support fiscal policy decisions during the crisis
- The effect of the pandemic on families' time investments and child development
- The effects on gender and family inequalities
- The impacts of school and early years centre closures
- Sanitation and COVID-19 in developing countries

### Deaton Review of Inequalities

As outlined above, work will continue on this project, in terms of the research programme, evidence gathering and communication with policymakers and the public.

### Extending working lives

This project is a partnership and programme of work with the Centre for Ageing Better (CfAB) that will significantly expand 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.

Through this research we will be addressing 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?

### Taxing sugary drinks

Eating too much sugar increases the risk of many health conditions, including diabetes, obesity, and dental caries. In the UK, people consume, on average, over 50% more added sugar than is recommended; adolescents and young adults consume more than double the recommended levels. Soft drinks are an important contributor to dietary sugar, contributing roughly 20% of the sugar consumption of adolescents and young adults, and 10% at other ages. Concern about the health costs generated by people eating too much sugar motivated the introduction of the UK's tax on soft drinks in 2018. With funding from the ESRC, our research aims to understand how effective the tax was at reducing sugar consumption, both in the whole population and among groups about whom policymakers are especially concerned, such as people with very high-sugar diets and young people. We also aim to understand how the tax reduced the amount of sugar that people buy. This will contribute to the evidence on the effectiveness of taxes on soft drinks and inform how their design could be improved.

### Support for young people in education

The ESRC will fund a project to investigate the labour market impact of the Education Maintenance Allowance (EMA), a financial scheme that paid young people across the UK up to £3,600 for staying in education or training beyond age 16. While there is evidence that this programme increased post-16 education participation, it is not known whether this additional education has translated into better labour market outcomes later on. The research will use the LEO data set, a large administrative dataset containing complete linked education and tax records for anyone who has taken GCSEs in England since 2002.

### Inequality across the generations

Children of economically successful parents tend to be economically successful themselves, having relatively high levels of income, education and wealth. By some estimates, the intergenerational association of economic status in the UK is the strongest in the developed world and has grown stronger in recent decades. Given that equality of opportunity is a common policy goal, disparities in economic outcomes determined by parental background are in urgent need of attention. Tackling such disparities requires an understanding of how they arise and which policies can have an impact. The ESRC will fund an ambitious programme of research that will further our understanding of the mechanisms whereby parents transmit their economic status to their children, and how this process is influenced by various government policies.

### National Living Wage

In a project funded by the Low Pay Commission, researchers will provide a comprehensive assessment of the impact of the National Living Wage. It incorporates three strands: impacts on wages, hours, employment and earnings for those aged 25 and over; impacts on wages, hours, employment and earnings for those aged 24 and under; and impacts on family and household incomes

### Family support through economic changes

There is growing recognition that sudden changes in workers' economic environment, through for instance changes in global trade patterns or advances in technology and automation, can have large and persistent effects on the labour market. However, much research on these questions has focused on the effect of these shocks on individual workers, ignoring the role of the family as a potential source of support for individuals. This research, funded by a grant from the British Academy, will shed new light on the role families play in helping workers adapt to economic shocks. The work will be directly relevant for policymakers designing measures to assist households affected by dislocations associated with globalisation and other labour market shocks.

## 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 have three strategies to help us achieve these key goals:

- Develop stronger engagement, relationships and impact with three key stakeholder groups: business, central government, and local and devolved governments. This in turn will lead to improved understanding, engagement and knowledge exchange. This will inform our own research programmes, help us to build coalitions of funders, and impact on these actors' understanding and policymaking.
- 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 have secured funding from Friends Provident to build a website, TaxLab, which will hold accessible materials, including videos, graphics and summaries of research, on the subject of tax. The aim is to explain the workings of the tax system and policy choices in a way that is interesting and relevant to members of the public.
- Train and develop research and support staff at all career stages. The ultimate objectives are to ensure the sustainability of our capacity to carry out excellent research, maximise its 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.

The situation with the Coronavirus will temporarily change the way research can be communicated. In particular, it will not be possible to hold events



to be attended in person. But we are investigating ways to launch work digitally, either with recorded presentations of work, other enhanced digital content, or live events conducted virtually.

## Capacity building

Our aim to train and develop research and support staff at all career stages has the ultimate objectives stated above.

To this end, five new and recent graduates will start work at IFS in Autumn 2020. They 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 three Postdoctoral Fellows from September 2020 on two-year contracts, as well as an additional one-year placement for a post-doctoral 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 and work 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 researchers themselves will also 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.

Under the auspices of the Centre for Microdata Methods and Practice (cemmap), we will continue to run training courses, masterclasses and workshops until the end of the academic year 2020-21.

Over the summer, we plan to host seven economics students in paid internships, although this will depend on lockdown conditions related to COVID-19. They will work on projects with IFS

researchers to give them a flavour of what policy-relevant research is like. We also plan to 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.

During 2020 we will launch a website, Communicating Economics, containing resources targeted at students, which will help communicate economic ideas to a range of audiences.



# Strategic report

## Financial review

The results for the year ended 31 December 2019 are presented in the statement of financial activities on page 30. The level of activity was very similar from 2018 to 2019. Total income was £9,272,321 (2018: £8,870,307) and total expenditure was £9,093,975 (2018: £8,630,409).

The statement of financial activities shows an overall surplus for the year ended 31 December 2019 of £178,346 (2018: £239,898), representing a surplus on charitable activities of £21,051 (2018: £117,907).

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 40% of the income recognised in 2019 was provided by the Economic and Social Research Council, this funding covered a wide range of projects through over 20 different grants.

The investment policy of the Executive Committee has been to invest cash reserves in interest-bearing

accounts and not to risk any of the principal. At the end of the year, £1,239,733 was held in a COIF Charities Deposit Fund (2018: £1,232,717) and £3,120,380 (2018: £3,197,027) was held in cash. The CAF Bond held with Principality Building Society (£515,151 at 31 December 2018) matured during the year and was held in cash or invested in short term deposits.

### 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 assets.

As at 31 December 2019, the Institute's total reserves were £2,984,770 (2018: £2,806,424), comprising the unrestricted General Fund of £2,853,977 (2018: £2,642,079) and the unrestricted Fixed Asset Fund of £130,793 (2018: £164,345).

The General Fund reflects the Institute's net current

	2019	2019	2019	2018	2018	2018
	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
Cash and cash equivalents	3,022,054	1,338,059	<b>4,360,113</b>	2,850,062	2,094,833	<b>4,944,895</b>
Less net grants received in advance	96,075	(1,208,948)	<b>(1,112,873)</b>	(88,457)	(2,174,807)	<b>(2,263,264)</b>
Cash holdings (excluding net project grants received in advance)	3,118,129	129,111	<b>3,247,240</b>	2,761,605	(79,974)	<b>2,681,631</b>
Other working capital	(264,152)	(129,111)	<b>(393,263)</b>	(119,526)	79,974	<b>(39,552)</b>
General Fund	2,853,977	-	<b>2,853,977</b>	2,642,079	-	<b>2,642,079</b>
No. of months of forecast expenditure (excluding direct project costs)	4.8 months			4.8 months		
Target level for the General Fund: (6 months' forecast expenditure, excluding direct project costs)	£3.5m			£3.3m		

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 asset. 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.

## Principal risks and uncertainties

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

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

The primary risks relate to financial issues and in particular to the reliance on the 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. 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, 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.

Like all organisations, IFS has been affected by the COVID-19 pandemic and the resultant economic effects and uncertainty. As an organisation, our primary concern is the safety and well-being of our employees and their families, our research partners and suppliers. The future impact of the outbreak is uncertain and amongst other things will depend on actions taken to contain the coronavirus. The Executive Committee considers that IFS has adequate financial resources and is well placed to manage the risks associated with the COVID-19 pandemic. Financial projections, scenario testing and key risk identification have taken into consideration the current and expected economic climate, and its potential impact on IFS's sources of income and planned expenditure. There were no circumstances which arose from this scenario testing and the COVID-19 pandemic that resulted in an adjustment to the IFS financial statements as at 31 December 2019.

In March 2020, the UK government implemented



significant measures to contain the spread of COVID-19, which had been declared as a pandemic by the World Health Organisation (WHO) during the same month. The measures implemented in the UK are similar to those implemented in many other countries around the world, and have significantly impacted many businesses, both operationally and financially.

For IFS, the key impacts that may arise or have arisen include:

- The cancellation of events hosted by IFS, in the interest of the health and safety of our stakeholders and in compliance with government guidelines to limit the risk of transmission of the virus
- The reduction to income that may arise from delays to our research activities or those of our research partners
- The operational impact to IFS arising from the risk of staff illness

As there remains uncertainty around the period over which governments' measures worldwide will remain in place, the precise impact cannot be determined. However, IFS has modelled the impact of these measures assuming that cash flows on a number of research projects may be

delayed, in some cases for up to 12 months. This work concluded that IFS 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.

This work also considered the possible implementation of risk mitigation measures that are available to IFS, including:

- Associated cost savings from the postponement/cancellation of work or events
- Deferral of projects that were planned to be executed in 2020
- Modifying our operations to conform to the current circumstances

The Executive Committee also considered other scenarios in which IFS may not receive the expected income and cash flows for 2020. Under all scenarios modelled, IFS would still have sufficient resources to be able to fulfil its existing commitments for the next 12 months. The Executive Committee 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 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 2019, the number of guarantors was therefore 41 (30 at the end of November 2018). The Articles contain the provision that the IFS Council be expanded to no more than 50 persons and that when complete it shall consist of 45 members elected by Council and five members elected by the wider IFS membership.

### Members of the Executive Committee

The Executive Committee, which is made up of the Trustees of the Institute, 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 Executive Committee met five times during the year. Committee membership during 2019 was:

- Jonathan Athow
- James Bell
- John F. Chown
- Margaret Cole
- David Gregson
- Caroline Mawhood
- Ian Menzies-Conacher (retired November 2019)
- David Miles (Chair)
- Gus O'Donnell (President, IFS Council)
- Michael Ridge
- Nicholas Timmins

As part of the organisation's governance review (see below), the Executive Committee set up two committees during 2019 to help improve scrutiny of the Institute's operations. These are a Nominations Committee and an Audit Committee. The remits of the committees are as follows.

### Audit Committee

The Audit Committee's overall objective is to give advice to the Executive Committee 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

### Nominations Committee

The Nominations Committee's roles 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

### 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 Executive Committee.

### Remuneration policy

The salary of the Director is determined by the Executive Committee when renewing his contract and is normally adjusted each year for a cost-of-living adjustment, in line with salaries across the Institute. The pay of all other staff 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 2019, the services of the Research Directors, Orazio Attanasio and Rachel Griffith, were provided by UCL and the University of Manchester respectively 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 Director, Carl Emmerson, and the Research Directors, Professors Rachel Griffith, Fabien Postel-Vinay and Imran Rasul (the last

two became Research Directors in 2020).

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

The Institute employed directly an average of 82 (2018: 83) full- and part-time staff based at its offices in London. Research staff are divided into sectors, and a small core of administrative and secretarial staff provide support facilities.

The Institute also employed indirectly 15 (2018: 16) 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 Executive Committee is supportive of the broad 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.

In consultation with IFS's senior staff, the committee considered each of the code's provisions to ascertain whether the organisation and Trustees already

complied, were in the process of implementing changes to ensure compliance, or did not comply. The Committee concluded that the IFS's governance was effective subject to improvements in selected areas and an action was put in place

to address these areas. This process also involved considering how to ensure that the organisation is governed, and run on a day-to-day basis, in a way that is commensurate with the broad principles recommended for charity governance.



# 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
- 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
- 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 Executive Committee and signed on its behalf by



David Miles, Chair of the Executive Committee

Company registered number: 0954616  
Registered charity: 258815

# Auditor's report

---

## Independent Auditor's report to the members of the Institute for Fiscal Studies

### Opinion

We have audited the financial statements of the Institute for Fiscal Studies for the year ended 31 December 2019 which comprise the statement of financial activities, the balance sheet, the 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).

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 2019 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### 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 are 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions related to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Charitable Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### Other information

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

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.

In connection with our audit of the financial statements, 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.

### **Opinions on other matters prescribed by the Companies Act 2006**

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, which are included in the Trustees' Report, have been prepared in accordance with applicable legal requirements.

### **Matters on which we are required to report by exception**

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 misstatements in the Strategic report or the Trustee's 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 by the Charitable Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Charitable Company 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; or
- the trustees were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

### **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 determines 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 section 144 of the Charities Act 2011 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.

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. Our audit work has been undertaken so that we might state to the Charitable Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Charitable Company and the Charitable Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Fiona Condron (Senior Statutory Auditor)

For and on behalf of BDO LLP, statutory auditor

London

Date: 7 July 2020

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



# Financial Reports

## Statement of financial activities

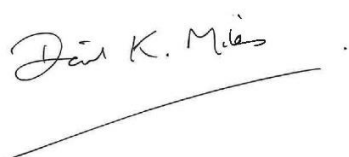
Year ended 31 December		2019	2019	2019	2018
	Notes	Unrestricted £	Restricted £	Total £	Total £
<b>Income from:</b>					
Membership and donations	2	191,944	-	191,944	156,853
Charitable activities	3	1,067,366	7,989,045	9,056,411	8,695,250
Investment income	4	18,196	-	18,196	15,835
Other income		5,770	-	5,770	2,369
<b>Total income</b>		<b>1,283,276</b>	<b>7,989,045</b>	<b>9,272,321</b>	<b>8,870,307</b>
<b>Expenditure on:</b>					
Raising funds	6	58,615	-	58,615	53,066
Charitable activities	6	820,642	8,214,718	9,035,360	8,577,343
<b>Total expenditure</b>		<b>879,257</b>	<b>8,214,718</b>	<b>9,093,975</b>	<b>8,630,409</b>
<b>Net income/(expenditure)</b>		<b>404,019</b>	<b>(225,673)</b>	<b>178,346</b>	<b>239,898</b>
Transfers between funds	13	(225,673)	225,673	-	-
<b>Net movement in funds</b>		<b>178,346</b>	<b>-</b>	<b>178,346</b>	<b>239,898</b>
<b>Reconciliation of funds:</b>					
Total funds brought forward	13	2,806,424	-	2,806,424	2,566,526
Total funds carried forward	13	2,984,770	-	2,984,770	2,806,424

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	Notes	2019 £	2018 £
<b>Fixed assets</b>			
Tangible assets	10	130,793	164,345
<b>Total fixed assets</b>		<b>130,793</b>	<b>164,345</b>
<b>Current assets</b>			
Debtors	11	2,081,457	1,420,074
Short-term deposits		1,239,733	1,747,868
Cash at bank and in hand		3,120,380	3,197,027
<b>Total current assets</b>		<b>6,441,570</b>	<b>6,364,969</b>
<b>Liabilities:</b>			
Creditors: amounts falling due within one year	12	<b>(3,587,593)</b>	<b>(3,722,890)</b>
<b>Net current assets</b>		<b>2,853,977</b>	<b>2,642,079</b>
<b>Net assets</b>		<b>2,984,770</b>	<b>2,806,424</b>
<b>Total funds:</b>			
Unrestricted funds			
- General Fund	13	2,853,977	2,642,079
- Fixed Asset Fund	13	130,793	164,345
		<b>2,984,770</b>	<b>2,806,424</b>
Restricted	13	-	-
<b>Total</b>		<b>2,984,770</b>	<b>2,806,424</b>

Approved and authorised for issue by the Executive Committee and signed on its behalf by



.....  
David Miles, Chair of the Executive Committee

7 July 2020

Company registered number: 0954616

Registered charity: 258815

## Statement of cash flows

	2019	2018
Year ended 31 December	£	£
<b>Reconciliation of net income to net cash flow from operating activities</b>		
Net income for the reporting periods (as per the statement of financial activities)	178,346	239,898
<b>Adjustments for:</b>		
Depreciation charges	83,062	60,304
Interest on investments	(18,196)	(15,835)
(Increase)/decrease in debtors and accrued income	(661,383)	891,493
Increase/(decrease) in creditors and accrued expenses	441,805	(28,727)
(Decrease) in grants received in advance of expenditure	(577,102)	(515,572)
<b>Net cash (used in)/generated from operating activities</b>	<b>(553,468)</b>	<b>631,561</b>
Interest on investments	18,196	15,835
Purchase of tangible fixed assets	(49,510)	(91,094)
<b>Cash flows from investing activities</b>	<b>(31,314)</b>	<b>(75,259)</b>
<b>Change in cash and cash equivalents in the reporting period</b>	<b>(584,782)</b>	<b>556,302</b>
Cash and cash equivalents at the beginning of the reporting period	4,944,895	4,388,593
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>4,360,113</b>	<b>4,944,895</b>
<b>Analysis of cash and cash equivalents</b>		
	2019	2018
	£	£
Short-term deposits	1,239,733	1,747,868
Cash at bank and in hand	3,120,380	3,197,027
<b>Total cash and cash equivalents</b>	<b>4,360,113</b>	<b>4,944,895</b>

# 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

In March 2020, the UK government implemented significant measures to contain the spread of COVID-19, which had been declared as a pandemic by the World Health Organisation (WHO) during the same month. The measures implemented in the UK are similar to those implemented in many other countries around the world, and have significantly impacted many businesses, both operationally and financially. For IFS, the key impacts that may arise or have arisen include:

- the cancellation of events hosted by IFS, in the interest of the health and safety of our stakeholders and in compliance with government guidelines to limit the risk of transmission of the virus;
- the reduction to income that may arise from delays to our research activities or those of our research partners;
- the operational impact to IFS arising from the risk of staff illness.

As there remains uncertainty around the period over which governments' measures worldwide will remain in place, the precise impact cannot be determined. However, IFS has modelled the impact of these measures assuming that cash flows on a number of research projects may be delayed, in some cases for up to 12 months. This work concluded that the entity 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. This work also considered the possible implementation of risk mitigation measures that are available to IFS, including:

- associated cost savings from the postponement/cancellation of work or events;
- deferral of projects that were planned to be executed in 2020;
- modifying our operations to conform to the current circumstances.

There were no circumstances which arose from the COVID-19 pandemic that resulted in an adjustment to the IFS financial statements as at 31 December 2019. The Executive Committee has considered the impact of the measures taken in the UK and internationally in response to the COVID-19 pandemic and concluded that the going-concern assumption remains appropriate for the preparation of these financial statements.

## 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 Executive Committee 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) Income – membership and donations

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

## d) Income – 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.

## e) Income – research activities

---

## Notes to the accounts

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 receivable 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.

### f) Interest receivable

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

### g) Allocation of expenses

Direct and indirect expenses are included when incurred. The majority of expenses are directly attributable to specific activities. Indirect overhead costs (e.g. premises and administration) are allocated 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.

### h) Pension costs

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

### i) Operating leases

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

### j) Current asset investments – 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.

### k) Foreign currency

The value of the balances in the Institute's Euro and US Dollar accounts at the end of the year was based on the exchange rate as at 31 December 2019. 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.

### l) Financial instruments

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

### m) 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;
- judging whether grants are restricted or unrestricted;
- estimating the useful economic life of tangible fixed assets; and
- estimates relating to the allocation of support costs across expenditure categories.

### n) Funds

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

Unrestricted – General Fund: This fund is 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 that 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 and intangible fixed 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.

Amounts are transferred from the General Fund to the Fixed Asset Fund to maintain the Fixed Asset Fund at an amount that represents the net book value of tangible and intangible fixed assets at the year-end. Amounts are transferred from the General Fund to Restricted research funds to cover any deficit arising on the restricted research grants completed during the year.

#### o) Prior year information

The basis on which grants are classified as either restricted or unrestricted was changed in 2019. In prior years, only funds held on specific trusts under charity law were classified as restricted funds and IFS had no such restricted funds. Under the new policy, grants are classified as restricted where the funder has identified restrictions in the grant agreement or award such that the funding can only be used to cover expenditure on the specific project that the grant relates to. At the year-end, restricted research funds represent the net assets for projects that are ongoing at the year-end. In most cases, income and expenditure are matched on a grant and therefore the total net assets of the fund are nil. For comparative purposes, the statement of financial activities for the year ended 31 December 2018 has been presented in note 19 showing the split between restricted and unrestricted funds on the new basis.

## 2 Membership and donations

	2019	2018
	£	£
Corporate membership	143,849	143,235
Individual membership	17,944	13,317
	<b>161,793</b>	<b>156,552</b>
Other donations	30,151	301
	<b>191,944</b>	<b>156,853</b>

## 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.

	2019	2019	2019	2018	2018	2018
	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
	£	£	£	£	£	£
ESRC	-	3,575,962	3,575,962	-	3,434,924	3,434,924
Charitable trusts and foundations	15,795	1,882,528	1,898,323	188,349	2,361,994	2,550,343
Government (or similar)	945,602	2,272,373	3,217,975	805,234	1,440,859	2,246,093
Other organisations	23,138	258,182	281,320	56,984	296,110	353,094
Event income	28,406	-	28,406	61,268	-	61,268
Publications	54,425	-	54,425	49,528	-	49,528
	<b>1,067,366</b>	<b>7,989,045</b>	<b>9,056,411</b>	<b>1,161,363</b>	<b>7,533,887</b>	<b>8,695,250</b>

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

## Notes to the accounts

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 revenues and, depending on the types of project undertaken, may vary significantly from year to year.

	Total charitable activities £	Raising funds £	Governance costs £	Support costs £	2019 Total £	2018 Total £
Research collaborations and subcontracts	1,401,519	-	-	-	<b>1,401,519</b>	679,257
Data costs and data collection costs	446,936	-	-	-	<b>446,936</b>	1,135,127
IFS travel, accommodation and subsistence	130,271	-	-	-	<b>130,271</b>	155,489
Visitor travel, accommodation and subsistence	56,452	-	-	-	<b>56,452</b>	125,376
Event, publication and dissemination costs	473,362	4,966	-	41,226	<b>519,554</b>	320,593
Other direct costs	142,001	-	-	-	<b>142,001</b>	76,051
Premises	-	-	-	571,126	<b>571,126</b>	602,633
IT and office costs	-	-	-	173,620	<b>173,620</b>	179,677
Other staff costs	-	-	-	132,068	<b>132,068</b>	151,601
Insurance and professional fees	-	-	28,048	65,265	<b>93,313</b>	85,854
Other	-	-	196	69,828	<b>70,024</b>	33,451
<b>Total costs (excluding staff costs)</b>	<b>2,650,541</b>	<b>4,966</b>	<b>28,244</b>	<b>1,053,133</b>	<b>3,736,884</b>	3,545,109
Staff costs (universities)	714,465	-	-	-	<b>714,465</b>	753,490
Research Fellows and Research Associates	249,213	-	-	-	<b>249,213</b>	242,550
	<b>963,678</b>	-	-	-	<b>963,678</b>	996,040
IFS staff costs (research)	3,499,844	-	-	-	<b>3,499,844</b>	3,283,672
IFS staff costs (events and dissemination)	-	25,090	-	311,584	<b>336,674</b>	264,096
IFS staff costs (research services)	-	16,807	-	151,259	<b>168,066</b>	153,237
IFS staff costs (central)	-	-	17,773	371,056	<b>388,829</b>	388,255
	<b>3,499,844</b>	<b>41,897</b>	<b>17,773</b>	<b>833,899</b>	<b>4,393,413</b>	4,089,260
<b>Total staff costs (including Fellows and Associates)</b>	<b>4,463,522</b>	<b>41,897</b>	<b>17,773</b>	<b>833,899</b>	<b>5,357,091</b>	5,085,300
<b>Total expenditure</b>	<b>7,114,063</b>	<b>46,863</b>	<b>46,017</b>	<b>1,887,032</b>	<b>9,093,975</b>	8,630,409
Allocation of support costs (including governance)	1,921,297	11,752	(46,017)	(1,887,032)	-	-
<b>Total expenditure</b>	<b>9,035,360</b>	<b>58,615</b>	-	-	<b>9,093,975</b>	8,630,409

## Notes to the accounts

## Analysis of expenditure 2018

	Total charitable activities £	Raising funds £	Governance costs £	Support costs £	2018 Total £
Research collaborations and subcontracts	679,257	-	-	-	679,257
Data costs and data collection costs	1,135,127	-	-	-	1,135,127
IFS travel, accommodation and subsistence	155,489	-	-	-	155,489
Visitor travel, accommodation and subsistence	125,376	-	-	-	125,376
Event, publication and dissemination costs	282,422	3,210	-	34,961	320,593
Other direct costs	76,051	-	-	-	76,051
Premises	-	-	-	602,633	602,633
IT and office costs	-	-	-	179,677	179,677
Other staff costs	-	-	-	151,601	151,601
Insurance and professional fees	-	-	25,211	60,643	85,854
Other	-	-	3,357	30,094	33,451
<b>Total costs (excluding staff costs)</b>	<b>2,453,722</b>	<b>3,210</b>	<b>28,568</b>	<b>1,059,609</b>	<b>3,545,109</b>
Staff costs (universities)	753,490	-	-	-	753,490
Research Fellows and Research Associates	242,550	-	-	-	242,550
	<b>996,040</b>	-	-	-	<b>996,040</b>
IFS staff costs (research)	3,283,672	-	-	-	3,283,672
IFS staff costs (events and dissemination)	-	23,296	-	240,800	264,096
IFS staff costs (research services)	-	15,324	-	137,913	153,237
IFS staff costs (central)	-	-	17,065	371,190	388,255
	<b>3,283,672</b>	<b>38,620</b>	<b>17,065</b>	<b>749,903</b>	<b>4,089,260</b>
<b>Total staff costs (including Fellows and Associates)</b>	<b>4,279,712</b>	<b>38,620</b>	<b>17,065</b>	<b>749,903</b>	<b>5,058,300</b>
<b>Total expenditure</b>	<b>6,733,434</b>	<b>41,830</b>	<b>45,633</b>	<b>1,809,512</b>	<b>8,630,409</b>
Allocation of support costs (including governance)	1,843,909	11,236	(45,633)	(1,809,512)	-
<b>Total expenditure</b>	<b>8,577,343</b>	<b>53,066</b>	-	-	<b>8,630,409</b>



## 6 Total expenditure

	Unrestricted	Restricted	2019 Total	2018 Total
	£	£	£	£
<b>Cost of raising funds</b>				
Direct costs (membership programme)	4,966	-	4,966	3,210
Staff costs (direct)	41,897	-	41,897	38,620
Support and governance costs (allocation)	11,752	-	11,752	11,236
	<b>58,615</b>	<b>-</b>	<b>58,615</b>	<b>53,066</b>
<b>Charitable activities</b>				
Project costs	309,856	2,340,685	2,650,541	2,453,722
Staff costs (total)	425,215	4,889,979	5,315,194	5,046,680
Support and governance costs (allocation)	85,571	984,054	1,069,625	1,076,941
	<b>820,642</b>	<b>8,214,718</b>	<b>9,035,360</b>	<b>8,577,343</b>
<b>Total expenditure</b>	<b>879,257</b>	<b>8,214,718</b>	<b>9,093,975</b>	<b>8,630,409</b>

<b>2018</b>	Unrestricted	Restricted	2018 Total
<b>Cost of raising funds</b>			
Direct costs (membership programme)	3,210	-	3,210
Staff costs (direct)	38,620	-	38,620
Support and governance costs (allocation)	11,236	-	11,236
	<b>53,066</b>	<b>-</b>	<b>53,066</b>
<b>Charitable activities</b>			
Project costs	253,811	2,199,911	2,453,722
Staff costs (total)	555,135	4,491,545	5,046,680
Support and governance costs (allocation)	118,462	958,479	1,076,941
	<b>927,408</b>	<b>7,649,935</b>	<b>8,577,343</b>
<b>Total expenditure</b>	<b>980,474</b>	<b>7,649,935</b>	<b>8,630,409</b>

IFS initially identifies the costs of its support functions. It then identifies those costs that 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 and also include travel and accommodation expenses for one Council member. No expenses were claimed by the Trustees during the year (2018: £38).

## 7 Net income

Net income is stated after charging:

	2019	2018
	£	£
Depreciation	83,062	60,304
Auditors' remuneration		
- Audit fees	17,800	17,000
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

	2019	2018
	£	£
Wages and salaries	3,791,893	3,543,506
Social security costs	373,556	354,364
Pension costs	227,964	191,390
	<b>4,393,413</b>	<b>4,089,260</b>
<i>Comprising:</i>		
Researchers	3,499,844	3,283,672
Support staff	893,569	805,588
<b>IFS payroll staff</b>	<b>4,393,413</b>	<b>4,089,260</b>
Staff costs (universities)	714,465	753,490
Research Fellow and Research Associate payments	249,213	242,550
	<b>5,357,091</b>	<b>5,085,300</b>

Staff costs (universities): IFS has agreements in place with several universities/institutions for the provision of an agreed proportion of the working time (typically 10–50%) of, during 2019, on average 15 (2018: 16) named, highly skilled individuals to carry out specific research duties at IFS in their areas of academic excellence. In 2019, £92,500 (2018: £97,500) of the amount for Research Fellows and Research Associates related to these individuals.

During 2019, the Institute's senior management team comprised: the Director, Paul Johnson, the Deputy Director, Carl Emmerson, and the Research Directors, Professor Rachel Griffith and, until 1 September 2019, Professor Orazio Attanasio. In 2019, 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 £473,982 (2.6 FTE) (2018: £512,573 (2.9 FTE))

## Notes to the accounts

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 £102,187 (for 20 employees) (2018: £98,822 for 18 employees).

	<b>2019</b>	<b>2018</b>
	<b>Number</b>	<b>Number</b>
£60,001–£70,000	8	7
£70,001–£80,000	5	8
£80,001–£90,000	5	1
£90,001–£100,000	1	1
£180,001–£190,000	-	1
£210,001–£220,000	1	-
	<b>20</b>	<b>18</b>

## 9 Staff numbers

	<b>2019 FTE</b>	<b>Average number</b>	<b>2018 FTE</b>	<b>Average number</b>
<b>Research staff</b>				
Permanent contracts	36.2	40.4	34.7	38.6
Fixed-term contracts	16.2	20.5	18.3	26.2
Variable-hour contracts	1.6	3.7	2.2	2.4
	<b>54.0</b>	<b>64.6</b>	<b>55.2</b>	<b>67.2</b>
<b>Central staff</b>				
Events, publications, dissemination	6.3	6.8	6.5	6.9
Finance, HR, IT, central support	7.3	7.6	6.3	6.6
Research services	3.0	3.0	2.3	2.3
	<b>16.6</b>	<b>17.4</b>	<b>15.1</b>	<b>15.8</b>
<b>Total</b>	<b>71</b>	<b>82</b>	<b>70</b>	<b>83</b>
Full-time		55		53
Part-time		27		30

## 10 Tangible fixed assets

	Fixtures and improvements to short leasehold premises	Office equipment	Total
	£	£	£
<b>Cost</b>			
At 1 January 2019	769,385	440,397	1,209,782
Additions	19,620	29,890	49,510
Disposals and assets no longer in use	(13,611)	(60,716)	(74,327)
<b>At 31 December 2019</b>	<b>775,394</b>	<b>409,571</b>	<b>1,184,965</b>
<b>Depreciation</b>			
At 1 January 2019	745,670	299,767	1,045,437
Charge for the year <sup>(1)</sup>	10,441	72,621	83,062
Disposals and assets no longer in use	(13,611)	(60,716)	(74,327)
<b>At 31 December 2019</b>	<b>742,500</b>	<b>311,672</b>	<b>1,054,172</b>
<b>Net book value</b>			
<b>As at 31 December 2019</b>	<b>32,894</b>	<b>97,899</b>	<b>130,793</b>
<b>As at 31 December 2018</b>	<b>23,715</b>	<b>140,630</b>	<b>164,345</b>

<sup>(1)</sup> The depreciation charge for the year included £29,760 (2018: £10,003) of depreciation on assets used on specific projects and reimbursed under the grant as direct project costs.

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

## 11 Debtors

	Unrestricted	Restricted	2019	2018
	£	£	£	£
Accrued income	276,892	1,047,486	1,324,378	751,089
Trade debtors	88,692	333,206	421,898	371,801
Other debtors	18,978	-	18,978	22,557
Prepayments	316,203	-	316,203	274,627
	<b>700,765</b>	<b>1,380,692</b>	<b>2,081,457</b>	<b>1,420,074</b>

## 12 Creditors

	Unrestricted	Restricted	2019	2018
	£	£	£	£
<b>Amounts falling due within one year</b>				
Trade payables	233,641	172,550	406,191	107,003
Taxation and social security	115,270	-	115,270	104,550
VAT	44,679	-	44,679	34,607
Accruals	294,435	289,767	584,202	462,377
	<b>688,025</b>	<b>462,317</b>	<b>1,150,342</b>	<b>708,537</b>
<b>Deferred income</b>				
<b>Balance at 1 January</b>	<b>256,501</b>	<b>2,757,852</b>	<b>3,014,353</b>	<b>3,529,925</b>
Amount released to income	(144,092)	(2,469,310)	(2,613,402)	(3,070,580)
Amount deferred in the year	68,408	1,967,892	2,036,300	2,555,008
<b>Balance at 31 December</b>	<b>180,817</b>	<b>2,256,434</b>	<b>2,437,251</b>	<b>3,014,353</b>
<b>Total creditors: amounts falling due within one year</b>	<b>868,842</b>	<b>2,718,751</b>	<b>3,587,593</b>	<b>3,722,890</b>

As at 31 December 2019, total deferred income was £2,437,251 (2018: £3,014,353). 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. A proportion of this deferred income will therefore not be released to income until 2021 or 2022.

## 13 Analysis of movement in funds

	At 1 Jan 2019	Income	Expenditure	Transfers	At 31 Dec 2019
	£	£	£	£	£
<b>Unrestricted funds</b>					
General Fund	2,642,079	1,283,276	(879,257)	(192,121)	2,853,977
Fixed Asset Fund	164,345	-	-	(33,552)	130,793
	<b>2,806,424</b>	<b>1,283,276</b>	<b>(879,257)</b>	<b>(225,673)</b>	<b>2,984,770</b>
<b>Restricted funds</b>					
Research funds	-	7,989,045	(8,214,718)	225,673	-
<b>Total funds</b>	<b>2,806,424</b>	<b>9,272,321</b>	<b>(9,093,975)</b>	<b>-</b>	<b>2,984,770</b>

2018	At 1 Jan 2018	Income	Expenditure	Transfers	At 31 Dec 2018
	£	£	£	£	£
<b>Unrestricted funds</b>					
General Fund	2,432,971	1,336,420	(980,474)	(146,838)	2,642,079
Fixed Asset Fund	133,555	-	-	30,790	164,345
	<b>2,566,526</b>	<b>1,336,420</b>	<b>(980,474)</b>	<b>(116,048)</b>	<b>2,806,424</b>
<b>Restricted funds</b>					
Research funds	-	7,533,887	(7,649,935)	116,048	-
<b>Total funds</b>	<b>2,566,526</b>	<b>8,870,307</b>	<b>(8,630,409)</b>	<b>-</b>	<b>2,806,424</b>

Amounts have been transferred from the General Fund to the Fixed Asset Fund to maintain the Fixed Asset Fund at an 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.

## Notes to the accounts

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 2019, the income and expenditure on these grants was as set out below.

<b>Project name</b>	<b>Funder</b>	<b>Start date</b>	<b>End date</b>	<b>2019 income and expenditure £</b>	<b>Accrued/ (Deferred) income as at 31 Dec 2019 £</b>
The Centre for Tax Analysis in Developing Countries – Phase 2 (TAXDEV II)	DFID	1/11/2018	31/10/2022	982,089	315,520
Evaluation of Lively Minds educational play schemes in Ghana	Global Innovation Fund	1/2/2017	30/4/2019	143,071	-

## 2018

<b>Project name</b>	<b>Funder</b>	<b>Start date</b>	<b>End date</b>	<b>2018 income and expenditure £</b>	<b>Accrued/ (Deferred) income as at 31 Dec 2018 £</b>
Improving tax and benefit policy analysis and development in partner countries with the Institute for Fiscal Studies	DFID	1/2/2016	31/3/2018	201,462	-
The Centre for Tax Analysis in Developing Countries – Phase 2 (TAXDEV II)	DFID	1/11/2018	31/10/2022	72,198	72,198
Evaluation of Lively Minds educational play schemes in Ghana	Global Innovation Fund	1/2/2017	30/4/2019	135,834	(82,887)

## 14 Analysis of net assets between funds

	<b>2019 Unrestricted £</b>	<b>2019 Restricted £</b>	<b>2019 Total £</b>	<b>2018 Unrestricted £</b>	<b>2018 Restricted £</b>	<b>2018 Total £</b>
Tangible fixed assets	130,793	-	<b>130,793</b>	164,345	-	164,345
Cash at bank and in hand	3,022,054	1,338,059	<b>4,360,113</b>	2,850,062	2,094,833	4,944,895
Other net current liabilities	(168,077)	(1,338,059)	<b>(1,506,136)</b>	(207,983)	(2,094,833)	(2,302,816)
<b>Net assets at 31 December</b>	<b>2,984,770</b>	<b>-</b>	<b>2,984,770</b>	<b>2,806,424</b>	<b>-</b>	<b>2,806,424</b>

## 15 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.

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
One year	178,767	375,000
Two to five years	-	178,767

## 16 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 £206,842 (2018: £172,784). In addition, three members of staff (2018: three) participated in other personal pension schemes, of their own choice, to which the Institute contributed £21,122 (2018: £18,606).

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Scottish Widows	206,842	172,784
Other	21,122	18,606
<b>Total</b>	<b>227,964</b>	<b>191,390</b>

## 17 Related party transactions

Lorraine Dearden, a member of Paul Johnson's close family, is paid as an IFS Research Fellow at the standard rate of £5,000 per annum (2018: £5,000). Her initial appointment pre-dates his term as Director and is reviewed annually by the Research Directors. In addition, IFS has an agreement with Lorraine Dearden's employer, the Institute of Education, for a buyout of 20% of her full employment costs for the year ended 31 December 2019. The buyout from the Institute of Education pre-dates Paul Johnson's appointment as Director and was agreed by his predecessor.

## 18 Post-balance sheet events

There were no circumstances which arose from the COVID-19 pandemic that resulted in an adjustment to the IFS financial statements as at 31 December 2019.



## 19 Comparative information: statement of financial activities for the year to 31 December 2018

2018	2018	2018	2018
	Unrestricted	Restricted	Total
	£	£	£
<b>Income from:</b>			
Membership and donations	156,853	-	156,853
Charitable activities	1,161,363	7,533,887	8,695,250
Investment income	15,835	-	15,835
Other income	2,369	-	2,369
<b>Total income</b>	<b>1,336,420</b>	<b>7,533,887</b>	<b>8,870,307</b>
<b>Expenditure on:</b>			
Raising funds	53,066	-	53,066
Charitable activities	927,408	7,649,935	8,577,343
<b>Total expenditure</b>	<b>980,474</b>	<b>7,649,935</b>	<b>8,630,409</b>
<b>Net income/(expenditure)</b>	<b>355,946</b>	<b>(116,048)</b>	<b>239,898</b>
Transfers between funds	(116,048)	116,048	-
<b>Net movement in funds</b>	<b>239,898</b>	<b>-</b>	<b>239,898</b>
<b>Reconciliation of funds:</b>			
Total funds brought forward	2,566,526	-	2,566,526
Total funds carried forward	2,806,424	-	2,806,424

**The Institute for Fiscal Studies**

7 Ridgmount Street  
London WC1E 7AE

Tel: +44 (0) 20 7291 4800  
Fax: +44 (0) 20 7323 4780  
Email: [mailbox@ifs.org.uk](mailto:mailbox@ifs.org.uk)