



Trustees' Report

Year ended 31 December 2020

Institute for Fiscal Studies



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Company information

Company registered office

7 Ridgmount Street
London
WC1E 7AE

Company registered number

00954616 (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 2020. Throughout the year, IFS staff and Trustees have been working to ensure that activities could continue during the COVID-19 pandemic. Alongside the welfare of IFS staff, a key priority has been to divert resources into research that would help policymakers navigate the economic and social challenges that the country has faced.

Over the year, IFS published research findings on a wide range of topics, many of them related to the economic consequences of the pandemic. Staff at IFS will continue with work in this area in the longer term, across the range of research programmes. The Deaton Review of Inequalities continues, led by Nobel Laureate, Sir Angus Deaton, and funded by the Nuffield Foundation; it has brought together leading academics both in economics and other disciplines. The Review will also hear evidence from policymakers and focus groups drawn from the general public. Researchers involved in the Review have been looking at aspects of inequality caused or exacerbated by the pandemic.

The academic excellence of the Institute's research and researchers has continued to be recognised. Research Director Imran Rasul received an OBE for services to social sciences and was appointed Fellow of the Econometric Society. The Director of IFS's Economic and Social Research Council (ESRC) Research Institute, Richard Blundell, received the 2020 Jacob Mincer Award for lifetime contributions to the field of labour economics. Research Director Rachel Griffith was awarded honorary membership of the American Economic Association and was made a Dame in the New Year Honours List, along with IFS Research Fellow, Carol Propper. IFS as a whole won the Office for National Statistics award for research excellence.

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

Careful scrutiny of the finances of IFS is an important part of the Trustees' work; as ever, this has been helped by clear and timely presentation of the facts to the committee by IFS officials. Whilst we, in common with other organisations who seek funding for academic research, face challenges in raising the finances to cover our ambitious programme of work, I am reassured that our financial position is healthy. In 2020, IFS's ESRC Centre – which has now attained 'Institute status' – received a further five years of Research Council funding. This 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 2021 by working on a redesign of our website and research information system, as well as designing and running a series of online events and podcasts.

I would like to thank my fellow Trustees for giving their time and expertise so generously throughout the year. On behalf of the Trustees, I also thank all the staff at IFS for their tireless work under trying circumstances, not only to keep the Institute going through a difficult time, but to produce and disseminate excellent research of the highest standard.



A handwritten signature in black ink that reads "David K. Miles". Below the signature is a long, thin horizontal line that tapers at both ends.

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 2020, 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, opportunities and difficulties, and agree on objectives. These discussions cover maintaining excellence in research, preserving independence and impartiality in policy analysis, engaging with a wide range of stakeholders, financial viability and good management, good governance, and supporting Institute 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. 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 2020

In 2020, 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 that vary from academics at international conferences to UK policymakers to undergraduate students.

2020 was a challenging year for the country as a whole, and much of the Institute's energies were directed towards research that would help policymakers navigate the pandemic and associated economic situation. As well as looking to fund and carry out medium- and longer-term research projects in this area, from very early in the year, researchers used their expertise and any resources at their disposal to advise the government: researchers met frequently with ministers and senior civil servants, as well as opposition MPs, policymakers in Scotland and Wales, and English regional and local authorities.

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.

- Imran Rasul received an OBE for services to social sciences and was appointed Fellow of the Econometric Society.
- IFS won the Office for National Statistics award for research excellence.
- Richard Blundell received the 2020 Jacob Mincer Award for lifetime contributions to the field of labour economics.
- Rachel Griffith was awarded honorary membership to the American Economic Association.
- Rachel Griffith and Carol Propper were both made Dames in the New Year Honours List.

IFS research is funded through research grants, from the UK Research Councils, charitable trusts such as the Nuffield Foundation, and elsewhere (see the financial review on page 17 for details). During 2020, IFS was notified of the outcome of 65 research proposals, of which 38 were approved for funding (58% success rate). Given that the length of the decision process varies somewhat across funders, the number of applications evaluated was broadly comparable to 2019, and, if anything, there was a slight upturn in the success rate (in 2019: 54 evaluated, 29 approved, success rate of 54%). A total of 98 funded research projects were active in 2020, which is almost the same number as in 2019 (99).

Selected ongoing and new research projects from 2020 are

outlined below.

Key new and ongoing research grants

A large number of new projects were undertaken during 2020 to look swiftly at aspects of policy related to the COVID-19 pandemic. These included:

- the effect of the COVID-19 pandemic on families' time use and child development;
- supporting fiscal policy decisions in the COVID-19 crisis;
- impact of COVID-19 on personal finances;
- the impact of the COVID-19 crisis on nutrition;
- COVID-19 and local government revenues and spending;
- understanding the impacts of COVID-19 on the provision of NHS health care and patient outcomes;
- modelling the effects of pandemic control measures and financial support on businesses, regions, and households.

Centre for the Microeconomic Analysis of Public Policy (CPP)

CPP has been at the heart of IFS research and its dissemination over the past 20 years. In recognition of the role this research has played in the UK social sciences, the ESRC elevated the Centre to Institute status, with a new tranche of funding starting in October 2020.

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

Our research agenda is ambitious and will yield policy-relevant academic research that makes important scientific advances and is published in the most prestigious peer-reviewed journals. This agenda is driven by our core areas of expertise, covers a broad spectrum of interrelated topics and is designed to

address major challenges the UK and other economies face in ensuring the resilience of households, firms and the broader economy. It will continue to evolve in response to the changing policy landscape and wider economic environment.

Our agenda is organised around five interconnected themes:

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

Workers in health care and social care

The National Institute of Health Research (NIHR) 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 Unit on Health and Social Care Workforce, in partnership with IFS and Imperial College London. Of every 100 people working in England today, 13 of them work in social care and health care jobs. Nearly £2 out of every £3 spent on the NHS goes on paying its staff. The Health and Social Workforce Policy Research Unit 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 with government, with IFS research particularly focusing on analysing recruitment and retention.

Obesity in children and in later life

IFS is part of a consortium led by University College London (UCL) that has been awarded funding from the Department of Health and Social Care for another Policy Research Unit on obesity in children and across the life course. The IFS work stream focuses on policy-related research into the impact of fiscal measures to combat obesity. Work exploits detailed individual-level longitudinal data to learn about the factors that influence behaviours, habits and self-control issues across individuals with different socio-economic and ethnic backgrounds. It also examines the actions of other market participants, such as producers and retailers, in response to fiscal initiatives, and provides evidence on how their actions might help to bolster or confound the effects of policies.

Growing up unequal?

Over the last decades, economic and social inequalities in Europe have risen sharply along many dimensions. This research programme, funded by the ESRC aims to understand these phenomena by focusing on the origins, dynamics and consequences of early inequalities in human capital accumulation in France, Norway and the UK. Our research will benefit policymakers and households across Europe by informing the design of early-life policies that can reduce

social, economic and health inequalities. The research teams are taking a multi-disciplinary, cross-country comparative perspective, and using state-of-the-art econometric methods and rich administrative, longitudinal survey and experimental data from all three countries.

Inequalities and education: adolescence and working life

In another project looking at inequalities in early life, funding from the ESRC allows IFS researchers to investigate the role of human capital in shaping inequalities over the life course in three quite different country contexts. The research team will be led by Professor Sir Richard Blundell from IFS along with two other leading academics with teams in Norway and France. The researchers aim to shed new light on the process of human capital formation during adolescence and adulthood. They look at different dimensions of inequality (on education opportunities and outcomes, human capital, employment and earnings) and how they relate to individual circumstances (such as socio-economic background, gender and family arrangements), how they develop over the life course and how they are influenced by the education and welfare systems.

Pension saving

There is concern that many individuals are not making adequate financial preparations for retirement. Automatic enrolment has been successful at increasing pension membership, but a lifetime of default contributions will not be enough for many, and not everyone is covered by automatic enrolment. Discussion among policymakers and industry is now turning to whether, and how best, to try and further influence individual saving behaviour to improve outcomes. This is an important debate, but there is a risk of policy being formed in a vacuum, based on little evidence of how individuals should – and currently do – change their pension saving behaviour over their lifetimes. This project, funded by the Nuffield Foundation, will fill that void, establishing a robust and rigorous set of theory and evidence on how pension contributions evolve over the life cycle. A vital part of this project will be to disseminate the findings widely and to ensure the evidence that researchers produce is learned from.

Changing patterns of work in later life

IFS researchers are involved in a programme of work with the Centre for Ageing Better 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 address the following important research questions.

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

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

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

Graduate education

Three projects are underway, building on analysis of Longitudinal Education Outcomes (LEO) data already undertaken in previous years. Funding from the Department for Education (DfE) allows researchers at IFS to use this complex data set to further the understanding of educational outcomes amongst graduates and feed into government policy decisions in this area. Areas covered include: the impact of sorting in higher education; heterogeneity in returns; and social mobility scorecards. Additional work has been agreed to cover analysis of recently provided regional LEO data. Analysis of these data will enable the DfE to understand better the factors that drive returns to higher education, including the role that region plays in the educational choices and subsequent outcomes of students across the country.

The effects of getting into good schools

School effectiveness is most commonly assessed through 'value-added' scores, which measure school outcomes relative to predicted outcomes based on school inputs, such as pupil prior attainment. A major concern with these measures is that they might not give an accurate result. The aim of this project is to estimate school effectiveness accurately and to use these estimates to assess the extent of the bias in commonly used value-added measures. The work will enable researchers to assess overall bias in value-added measures, how that bias varies by school and pupil characteristics, and how it could be mitigated. This is highly important for policymakers, since schools are ranked in publicly available league tables based on these scores, and they increasingly influence teacher pay and promotion, and school policy.

Towards a fair and sustainable tax system

The aim of this project is to promote a much wider understanding that the UK is likely to need to raise taxes if it is to maintain public services in the face of pressures such as those from an ageing population over the coming decades, and then to promote policy that makes the UK tax system fairer and more resilient to impending economic, demographic and technological change. With funding from Friends Provident, our focus will be to support a broad public debate about the options faced by the UK in two ways. First, we will produce and disseminate accessible analysis on how the UK could raise additional tax revenues in a fair, efficient and acceptable manner. Second, we will set up a 'tax lab' – an engaging online platform to provide access to a body of resources on how the UK tax system currently works and who would be affected by various reforms.

Communication and stakeholders

In 2019, IFS received UK Research and Innovation (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.

Our communications team and researchers directed their efforts during the year into communicating research findings remotely. Along with a series of online events and videos, we also instigated a regular podcast, IFS Zooms In, often dealing with topics related to the pandemic and policy responses to it.

Conferences and lectures

2020 was an unusual year for events, in that very few took place in person. Of the 46 events organised by IFS, all but the first seven of the year were exclusively held online. We made the decision to make our online events as accessible as possible, so viewers were not required to give their details to watch.

Some highlights are listed below.

- Our event videos from 2020 were watched a combined total of over 53,000 times.
- This year's Green Budget launch was spread out over six online events: three public briefings, two press briefings, and a corporate member briefing. In total, over 500 people watched at least one of these events live, and the videos have had over 2,000 unique viewers since their launch.
- Our analysis of all three fiscal events in 2020 – the Spring

Budget, the Summer Economic Update, and the Spending Review – were streamed live online for free to the general public for the first time. Each one had over 400 live viewers.

- Our events programme for the ESRC Festival of Social Science was our biggest yet, with 11 events over five days. We used it as an opportunity to engage with other organisations, holding events in partnership with Discover Economics, the Economics Observatory, the Institute for Government, the Local Government Association, National Institute of Economic and Social Research (NIESR), and the UCL Centre for Education Policy and Equalising Opportunities (CEPEO). In total, over 700 people watched one of our events live, with over 2,900 unique viewers (including video playbacks) over the course of the week.

We held three joint (online) debates with the Chartered Institute of Taxation CIOT ('Tax in the 2010s – successes and failures', on 24 June; 'Where next for Capital Gains Tax?', on 17 September; and 'VAT and Customs Duties after Brexit', on 8 December), as well as two events at the virtual Labour and Conservative party conferences ('Tax after the pandemic'). These events were all very popular, with an average live viewership of 365 and over 1,000 total views each.

Research findings and reports

A key strength of IFS is that its analysis of policy and its contributions to the public debate are grounded in rigorous empirical research. IFS researchers published 39 journal articles during the year, including three in the top five economics journals and nine in the leading field journals. These also included:

- thirteen articles, published quickly this year, looking at topics around COVID-19.
- a second special issue of *Fiscal Studies* published at the start of 2020, containing papers reflecting on some of the key research contributions of IFS over the years, following the fiftieth anniversary year in 2019.
- seven journal articles looking at aspects of health and health care, including in developing countries.



A range of the highlights were as follows.

- Livia Alfonsi, Oriana Bandiera, Vittorio Bassi, Robin Burgess, Imran Rasul, Munshi Sulaiman and Anna Vitali, 'Tackling Youth Unemployment: Evidence from a Labor Market Experiment in Uganda', *Econometrica*, November 2020
- Orazio Attanasio, Richard Blundell, Gabriella Conti and Giacomo Mason, 'Inequality in socio-emotional skills: A cross-cohort comparison', *Journal of Public Economics*, November 2020
- Orazio Attanasio, Sonya Krutikova, 'Consumption insurance in networks with asymmetric information', *Journal of the European Economic Association*, July 2020
- Britta Augsborg, Paul Rodríguez-Lesmes, 'Sanitation dynamics: toilet acquisition and its economic and social implications in rural and urban contexts', *Journal of Water, Sanitation and Hygiene for Development*, December 2020
- Oriana Bandiera, Niklas Buehren, Robin Burgess, Markus Goldstein, Selim Gulesci, Imran Rasul and Munshi Sulaiman, 'Women's Empowerment in Action: Evidence from a Randomized Control Trial in Africa', *American Economic Journal: Applied Economics*, January 2020
- James Banks, Agar Brugiavini, Giacomo Pasini, 'The powerful combination of cross-country comparisons and life-history data', *Journal of the Economics of Ageing*, June 2020,
- Le-Yu Chen, Sokbae (Simon) Lee, 'Breaking the curse of dimensionality in conditional moment inequalities for discrete choice models', *Journal of Econometrics*, June 2020
- Laurens Cherchye, Bram De Rock, Rachel Griffith, Martin O'Connell, Kate Smith, Frederic Vermeulen, 'A new year, a new you? Within-individual variation in food purchases', *European Economic Review*, June 2020
- Rowena Crawford, 'Household portfolios and financial preparedness for retirement', *Quantitative Economics*, May 2020

- Pierre Dubois, Rachel Griffith, Martin O'Connell, 'How Well Targeted Are Soda Taxes?', *American Economic Review*, August 2020
- Elaine Kelly, George Stoye, 'The impacts of private hospital entry on the public market for elective care in England', *Journal of Health Economics*, September 2020

Researchers published a range of reports relating to a broad spectrum of important policy areas. Some of the more significant reports are mentioned below.

The IFS annual report on living standards and poverty 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 2020 report, we focused in particular on the impact of the COVID-19 crisis on different groups in society. Other research on inequality has looked at inheritances and inequality within generations; the impact of school closures on family time use during home learning in the COVID-19 lockdowns; and differences in public attitudes towards trade with other countries.

Researchers launched the third IFS annual report on education spending, funded by the Nuffield Foundation, bringing together data on education spending per student across the life cycle and providing analysis about the major issues facing different sectors. A suite of reports accompanied the annual report on education: these included reports dealing with the impact on lifetime earnings of a degree; and the implications for childcare providers of the COVID-19 crisis.

Researchers also published reports on how attitudes and expectations of retirement have evolved over the last decade,

and the extent to which automatic enrolment into workplace pensions might have brought some employees into pensions who would be better off not saving in a pension at that point. We also produced detailed analysis of the retirement saving of the self-employed and on changes in the generosity of the UK pensions system to the self-employed.

Researchers looking at local government published a number of reports during the year. These examined aspects of local government funding, reform of council tax, consequences for UK regions of the cessation of European Structural and Investment funds, and the effects of the COVID-19 crisis on council funding.

Publications were also launched around key political and fiscal events. Following the Spring Budget statement, IFS researchers helped to explain the implications by answering questions from journalists from all the national papers, as well as conducting interviews on the BBC, ITV and other major broadcasting channels. 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, for businesses and for households. Similar comment and analysis – although entirely done online – were carried out later in the year in response to the Chancellor's Summer Economic Update and the Spending Review.

The IFS Green Budget 2020 was published in October with a detailed analysis of the issues and challenges facing the Chancellor. The areas covered by IFS researchers, and partners at Citi and the Institute for Government, were: the global outlook; UK economic outlook and the road to recovery; emerging challenges for the UK economy; the state of the public finances; managing elevated public debt; Spending Review 2020: COVID-19, Brexit and beyond; Levelling up: where and how?; and temporary benefit increases beyond 2020–21.

The Tax Law Review Committee is a body made up of experts in taxation and tax law, who this year worked with IFS colleagues to produce a report into tax and employment status. This paper addressed some misperceptions that have built up and taken hold of the debate around the current tax structure and its relationship with employment law. The aim was that, once these are understood to be myths, the way forward should be clearer.

Engagement with stakeholders

IFS staff and centre directors give evidence to a wide range of committees each year and also meet with senior policymakers to discuss policy developments and ideas, as well as briefing them on IFS research. In 2020, staff gave or submitted evidence over 15 times (nine times in 2019).

Podcast covers from recent episodes of IFS Zooms In



In 2020, staff have given evidence to:

- Treasury Select Committee (3)
- Health Select Committee (1)
- Welsh Affairs Committee (2)
- Scottish Affairs Committee (2)
- Ministry of Housing, Communities and Local Government Committee (1)
- Education Select committee (1)
- Women and Equalities Select Committee (1)
- Scottish Parliament Social Security Committee (1)
- Finance Committee - Fifth Senedd (2)
- Lords Economic Affairs Committee (1)

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

- Carl Emmerson: Member of Social Security Advisory Committee (VC until Sept 20) and sits on the Office for Budget Responsibility advisory board
- Paul Johnson: Sits on Banking Standards Board, Climate Change Committee, 'Engage Britain' board of trustees, HM Treasury Net Zero advisory group.
- Peter Levell: Member of the ONS technical advisory panel on consumer prices.
- Helen Miller: Chair of the Royal Economic Society Communications and Engagement Committee (2019–)
- David Phillips: Sits on the Welsh Government's Tax Advisory Group, and the Finance & Constitution Committee in the Scottish Parliament
- George Stoye: Sits on the Expert Advisory Board for the development of the ONS Health Index for England

Through our website, social media and press activity, we communicate the results of our research directly to the public, to enhance understanding of economics and policymaking. Our primary social media channel is Twitter, where we have over 41,300 followers. We have seen year-on-year growth of 14.4% in 2020. IFS director Paul Johnson's Twitter account has over 32,000 followers, and reached over 11 million impressions in 2020.

Over the past year, YouTube has become more central to our digital strategy as a platform to host livestream events, post videos and share our podcast. It is also used to embed videos on our website. YouTube gives us an exceptional opportunity to reach younger audiences, in 2020 around 80% of our audience on YouTube was aged 18–34. In 2020, people watched 12,400 hours of our content (+220% on 2019) and we had 123,000 views (+122% on 2019). In 2020 our audience of subscribers

almost doubled (from 1,156 to 2,064).

Website traffic to the main IFS website has shown a steady year-on-year increase in page views, users and sessions. Year-on-year page views increased by 75% between 2019 and 2020.

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, in the civil service or in the media where they will put into practice the research and communication skills they have learned at the Institute. During 2020, in-house training for research staff included research skills, 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. Much of the training was carried out remotely, but we were able to arrange some sessions in-house when government rules allowed, enabling new recruits to meet their colleagues in person before resuming home-working during the winter lockdown.

Six new graduate economists were taken on in 2020 (2019: six), as well as five post-doctoral researchers (2019: two).

The Institute also runs a summer internship programme. In 2020, we had planned to take on around eight students (2019: eight) for six-week placements, working with research teams on projects that would give them a taste of the type of work undertaken by new research economists. In the event, the restrictions on office working meant that only one student was taken on, working remotely. At the time, it was not possible to supervise the other students remotely and offer them a sufficiently rewarding experience.

In order to encourage diversity and openness in our recruitment process, we continued to look at our recruitment materials to ensure that they were accessible, to provide information to demystify the recruitment and interview process, and to advertise our vacancies widely. We developed a new Equality, Diversity and Inclusion policy: we aim to ensure that the language and imagery used in our recruitment and other materials are a reflection of 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.

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 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.

In 2020, our events programme for the ESRC Festival of Social Science week was our biggest yet, with 11 events over five days aimed at students and members of the general public. This included a day of online lectures given by junior researchers, replacing our usual public economics lecture day. We also used it as an opportunity to engage with other organisations, holding events in partnership with Discover Economics, the Economics Observatory, the Institute for Government, the Local Government Association, NIESR, and UCL CEPEO. In total, over 700 people watched at least one of our events live, with over 2,900 unique viewers (including video playbacks) over the course of the week.

In 2020, the pandemic led us to develop three new online training courses, under the auspices of the Centre for Microdata Methods and Practice (cemmap), attracting government policymakers, charity sector attendees and academics. We also delivered a new online masterclass. The audience for the online masterclass has ranged from 60 to 600 students from all over the globe. Developing our online training courses has improved our ability to run online seminars and conferences. In 2021, the pandemic will make us spend more time and resources working with IFS staff on applied research topics.

During 2020, IFS was instrumental in setting up and launching a website, Economics Observatory, which hosts articles drawing on a range of research that sets out to answer questions about COVID-19 and the UK economy. The site is aimed at a general audience as well as policymakers and others using research to inform their work; it has achieved over 550,000 page views to date.

We also launched a website, Communicating Economics (www.communicatingeconomics.com), containing resources targeted at students, which will help communicate economic ideas to a range of audiences. With support from the ESRC, researchers from IFS and the University Manchester worked with Econ Films to bring together a range of digital resources

for students and teachers to help communicate and engage.

Governance

Strategic oversight

Since mid-March 2020, a senior team comprising the director, deputy directors, deputy research directors, and heads of finance and operations (and ICT when needed), has been meeting frequently via Zoom to coordinate and track progress on issues relating to remote working and the implications for our staff, research programme and finances. A wider management group – comprising the above group and all research team leaders and the heads of communications and research services – has been meeting via Zoom approximately once a month in order to ensure that issues relating to individual projects and staffing are picked up.

Staff welfare and working practices

In order to ensure that staff are coping with the situation, managers are keeping in frequent contact with their teams. We have introduced ways for staff to keep in touch remotely and have offered support to anyone struggling with mental health issues. Two members of staff attended a (virtual) Mental Health First Aid course, something which was already planned before the crisis. We have surveyed staff through the year to try to measure the extent to which difficulties were being experienced and to elicit ideas for what else IFS could do to help. Staff have mostly been working from home, but some staff have been working in the office where needed, in line with government guidance. A risk assessment was carried out and is kept up-to-date to ensure that the office is as safe as possible for staff who need to use it.

The senior management team is drawing up a strategy for handling a return to office working once permitted. This will include consideration of provision for any staff members who have health conditions or other reasons to be more cautious about a return to work, even if the risk of infection is very low. We will also be reviewing our policy on working from home, in preparation for the time when working from home is not enforced. This review will take into account staff preferences, as well as the costs and benefits of more flexible working to the organisation as whole.

2020 in numbers

IFS impact in 2020

49

top five journal articles
past decade (2011–20):

136

top field journal articles
past decade

218

front pages
(129 in 2019)

282

press interviews
(180 in 2019)

186

Hansard mentions
(165 in 2019)

4.7 million +

page views

1.2 million +

website visitors

10 million +

Twitter impressions

Academic and policy publications	2020	2019 [§]	2018
Journal articles	39	34	44
Top five*	3	3	3
Top field journals [◇]	9	7	8
Working papers	73	64	68
IFS reports and briefing notes	63	44 ^{<^}	44
Observations	43	35	29

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

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

§ Journal article numbers for 2019 revised downwards since last year's report, as it was decided only to include those attributable to IFS grants.

<^ IFS reports and briefing notes for 2019 and 2018 and Observations for 2019 adjusted to correct errors in last year's report.

Type	2020	2019	2018
Press releases	62	32	30
Newspaper articles and comment pieces	35	61	73
Broadcast mentions	5,952	8,492	8,475
Print mentions	3,243	3,272	3,135
Front pages	218	129	82
Online mentions	15,875	20,479	17,068
Interviews given	282	180	160
Website visitors	1,221,630	710,570	503,057
Twitter impressions (monthly average)	837,500	738,000	663,000
IFS events	46	40	31
Event attendance	6,909	3,900	2,399
Views of event videos	53,000	N/A	N/A

Priorities for 2021 and beyond

Academic excellence

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

Key new research grants

As the country emerges from the COVID-19 pandemic, during 2021 IFS researchers will be embedding questions about how to encourage recovery into paid work across our full range of research programmes. The following specific projects are already funded and due to begin during the year.

Intergenerational transfers, insurance and inequality

Children of economically successful parents are more likely to be economically successful themselves, in terms of 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. These gaps are not only large by international standards, but have also grown 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. This ambitious programme of research, funded by the ESRC, 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. We aim to make several advances over the existing literature by employing novel methods, exploiting large linked administrative data sets, and building cutting-edge models of economic decisions.

Public policy in food markets: understanding advertising and choice interdependencies

Understanding which policies are effective at improving diets is a key challenge facing policymakers. To do this, it is necessary to know how policy affects the decisions people make over what food and drinks to consume and those that firms make over pricing and advertising. A central determinant of these decisions is how past choices and experiences (e.g. exposure to advertising, or decisions over healthy vs. unhealthy diet)

affect current ones. We aim to develop tools to model the interaction between consumers and firms. With funding from the Department of Health's Policy Research Unit, we will study two specific applications:

- how advertising affects people's food and drink choices, and how firms choose how to advertise, and
- how choices made for 'out-of-home' consumption (e.g. fast foods) interact with those made for 'at home' consumption.

Welfare integration, labour supply and take-up

The UK, like most developed countries, has had multiple separate but overlapping welfare benefits. It is now implementing Universal Credit, a major reform to integrate many of them, and other countries are considering similar ideas. Yet we have almost no empirical evidence on the impacts of having multiple parallel strands of support, or conversely on the potential impacts of integration, on key outcomes such as labour supply, benefit take-up, and inequality. With funding from the ESRC, we will fill that gap by building a cutting-edge model of labour supply and benefit take-up designed to answer those questions.

Equality and well-being across generations

The main research objective of this project, funded by the Economic and Social Research Council, is to document how inequalities in ageing – such as those between the rich and the poor and those between men and women – have changed across successive birth cohorts, and how public policies aiming to strengthen the fiscal sustainability of welfare systems have counteracted or accentuated these trends. This project will rely on data and reforms carried out in five countries encompassing North America, Western Europe and Scandinavia and carefully chosen to ensure a wide span of institutional arrangements in areas such as labour markets, social security and private pensions: Canada, France, Germany, Sweden and the United Kingdom.

Spending across stages of education

Education spending is the second largest area of public service spending. Academic evidence also shows that the level and distribution of spending across stages can have profound effects on students' outcomes. Significant funding reforms to all stages of education were already expected from this government, and the pressures of the COVID-19 pandemic will add to the challenges facing each stage of education. Understanding the effects of these changes and the damages done during the lockdowns requires rigorous analysis of

spending to set reforms in historical and policy context. The Nuffield Foundation previously funded an IFS research team to produce three annual reports on education spending between 2018 and 2020. These reports have been tremendously successful; they have driven significant media coverage, framed public debate, and directly shaped public policy e.g. on schools funding. Further funding from the Nuffield Foundation will sustain these annual reports for a further three years between 2021 and 2023.

Machine learning methods for studying the trajectories of young offenders in administrative data

Administrative data have the potential to open new and invaluable research opportunities to understand better societal phenomena and support evidence-based policymaking. One research area administrative data can significantly enhance is the analysis of life-course trajectories across key domains of interest to social scientists, including education, economic activity, health, and crime. Administrative data are a rich source of longitudinal information on key socio-economic outcomes and use of public services that can be particularly useful for policy-relevant analysis. Yet, in the UK, these data have been relatively untapped so far. As administrative data and administrative linked data become increasingly available, it is essential that research teams, both in academia and in government, are equipped with the appropriate methodological tool kit to take full advantage of the research possibilities these data offer. With funding from the ESRC, IFS researchers will collaborate with the Ministry of Justice (MoJ) to address this challenge: we will be working on a package of activities to advance the use of machine learning techniques to exploit the richness of MoJ's administrative and linked administrative data sets as sources of information on individuals' offending, educational and economic trajectories and their journeys through the justice system.

Analysing tax, benefit and public spending trends and proposals in the context of the Scottish Parliamentary Elections, 2021

The Scottish parliament and government have responsibility for the majority of public service spending in Scotland, and in recent years have gained powers over key parts of the personal tax and working-age benefit system. How these responsibilities and powers are exercised is of vital importance to the Scottish people, via the services they receive, the income in their pockets, and the performance of the wider economy. It is therefore crucial to assess and scrutinise the current government's record and each party's proposals in the forthcoming Scottish elections. To this end, with funding from the Scottish Policy Foundation, we will analyse recent trends in public spending, tax revenues and policy, and the new Scottish social security system. We will also analyse tax,

benefit and public spending proposals made by the main political parties, assessing their impacts on revenues and across the income distribution, as well as their consistency with stated policy objectives and good design principles. Findings will be published in two reports and disseminated widely via a virtual event, and social, print and broadcast media.

Communication and stakeholders

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

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

We have three overarching aims to widen our impact.

- We aim to develop stronger engagement and relationships with, and have an increased impact on, three key stakeholder groups: business, central government, and local and devolved governments. This will lead to improved understanding, engagement and knowledge exchange. This will inform our own research programmes, build coalitions of funders, and affect the understanding and policies of these groups.
- We aim to improve public understanding of our research, economic principles and public policy. This is a huge task to set ourselves as a small organisation but it is an increasingly vital role for research organisations wanting to have the ultimate effect of improving policy. To provide information directly to the public, we 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.
- We will also train and develop research and support staff at all career stages. The ultimate objective is to ensure the sustainability of our capacity to carry out excellent research and ensure its impact, and make certain 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 effects on policy and public understanding.

Capacity building

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

We have taken on a number of new recruits in 2020 who will be trained and developed over the year. In the autumn of 2021, at least one new graduate will start work at IFS and will be trained in research and communication skills, working alongside more experienced researchers and Research Fellows and Associates, who are leaders in their fields from universities in the UK and overseas.

We plan to take on a further two Post-Doctoral Fellows from September 2021 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, working alongside researchers whose research interests they share. The specific expertise of these individuals will feed into related research programmes and will enrich the knowledge of colleagues through frequent seminars and interchange of views. The 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. We will also be offering annual placements for PhD students of between 6 months and one year, with the aim of enriching their PhD studies with policy research experience and allowing them to expand their networks.

Over the summer, we will host between six and eight economics students in paid internships: we anticipate that lockdown restrictions will not be in place by this time, but if necessary, we will endeavour to run the placements remotely. The students will work on projects with IFS researchers to give them a flavour of what policy-relevant research is like. We will also host work experience students in collaboration with the Higher Education Access Network, as part of our commitment to diversity. Throughout our recruitment process, we will continue to look for ways to encourage diverse applicants to apply and to recruit staff from a range of backgrounds. We have developed a new Equality, Diversity and Inclusion policy, which feeds into our recruitment strategy.

Strategic report

Financial review

The results for the year ended 31 December 2020 are presented in the Statement of Financial Activities on page 25. The level of activity was similar from 2019 to 2020. Total income was £9,802,176 (2019: £9,272,321) and total expenditure was £9,672,723 (2019: £9,093,975).

The Statement of Financial Activities shows an overall surplus for the year ended 31 December 2020 of £129,453 (2019: £178,346), representing a surplus on charitable activities of £25,447 (2019: £21,051).

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 41% of the income recognised in 2020 was provided by the ESRC (40% in 2019), this funding covers a wide range of projects.

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, £1,242,992 was held in a COIF Charities Deposit Fund (2019: £1,239,733) and £3,246,702 (2019: £3,120,380) was held in cash.

Reserves policy

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

As at 31 December 2020, the Institute's total reserves were £3,114,223 (2019: £2,984,770), comprising the unrestricted General Fund of £3,020,505 (2019: £2,853,977) and the unrestricted Fixed Asset Fund of £93,718 (2018: £130,793).

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

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

	2020	2020	2020	2019	2019	2019
	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
Cash and cash equivalents	3,316,094	1,173,600	4,489,694	3,022,054	1,338,059	4,360,113
Less net grants received in advance	(42,815)	(702,398)	(745,213)	96,075	(1,208,948)	(1,112,873)
Cash holdings (excluding net project grants received in advance)	3,273,279	471,202	3,744,481	3,118,129	129,111	3,247,240
Other working capital	(252,774)	(471,202)	(723,977)	(264,152)	(129,111)	(393,263)
General Fund	3,020,505	-	3,020,505	2,853,977	-	2,853,977
No. of months of forecast expenditure (excluding direct project costs)	4.9 months			4.8 months		
Target level for the General Fund: (6 months forecast expenditure, excluding direct project costs)	£3.6m			£3.5m		

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 and Social Research Association (SRA) ethical guidelines, and rulings of the UCL Research Ethics Committee. Any interactions with research participants are governed by this code and by established ethics principles and obligations. There is regular discussion of ongoing research at senior management meetings and, in addition, the Advisory Boards for the ESRC Centres have oversight of the Centres' research programmes.

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 pandemic is uncertain and amongst other things will depend on actions taken to contain COVID-19, and the evolution of the coronavirus globally. We have started planning for medium- and longer-term changes to our research programme to reflect new challenges that will face policymakers – and society more generally – in the wake of the COVID-19 pandemic. In the short and medium term, the Trustees believe that IFS is in a good financial position with sufficient liquidity to navigate through this challenging environment.

Going concern

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

The Executive Committee considered the extreme scenario that no projects currently applied for were successful, that no further applications were submitted, and that all debtors were delayed by three months whilst all creditors were settled in the current month. Even in this case, which is not considered even remotely likely, the IFS's cash position was only projected to turn negative greater than 12 months from the date of signing these accounts. Therefore, 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 2020, the number of guarantors was 46 (41 at the end of November 2019), four of whom were elected by the IFS members. The Articles contain the provision that the IFS Council be expanded to no more than 50 persons and that 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 consists 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 2020 was:

- Jonathan Athow
- James Bell
- John F. Chown
- Margaret Cole (retired April 2020)
- David Gregson
- Caroline Mawhood
- David Miles (Chair)
- Orna NiChionna (joined July 2020)
- Gus O'Donnell (President, IFS Council)
- Michael Ridge
- Nicholas Timmins

As part of the organisation's governance review (see below), the Executive Committee had set up two subcommittees 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, which continued to meet during 2020, 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 managements' 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

- 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 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 2020, the services of the Research Directors, Rachel Griffith, Fabien Postel-Vinay and Imran Rasul, were provided by the University of Manchester (Griffith) and UCL (Postel-Vinay and Rasul) under contracts that reimburse the universities for an agreed percentage of the individual's salary, National Insurance and pension costs. Further details on these amounts are included in note 8 to the accounts.

Organisational structure of the Institute and the decision-making process

The overall management of IFS is carried out by the Director, Paul Johnson, who reports to the Trustees on a quarterly basis. The Director is part of the Senior Management Team of the Institute, which also comprises the Deputy Directors, Carl Emmerson, Robert Joyce and Helen Miller, and the Research Directors, Professors Rachel Griffith, Fabien Postel-Vinay and Imran Rasul.

The Executive Committee delegates the operational responsibilities of the Institute to the Director 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 89 (2019: 82) full- and part-time staff usually based at its office in Ridgmount Street, London. Research staff are divided into sectors, and administrative staff provide support facilities.

The Institute also employed indirectly 15 (2019: 15) 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 principles set out in the code and is keen to ensure that these are built into the governance of the organisation. To this end, during 2019, Trustees carried out a detailed review of its governance policies and procedures with reference to the code and agreed on a plan to put in place measures to comply where appropriate. The plan is now being implemented.

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

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

Trustees' responsibilities

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

Company law requires the Trustees to prepare financial statements for each financial year. Under company law, the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charity and of the incoming resources and application of resources, including income and expenditure, of the charity for the year. In preparing those financial statements, the Trustees are required:

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

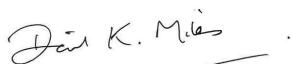
The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charity's transactions, to disclose with reasonable accuracy at any time the financial position of the charity and to enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

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

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



David Miles, Chair of the Executive Committee

17 June 2021

Company registered number: 00954616

Registered Charity: 258815

Auditor's report

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

Opinion on the financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the Charitable Company's affairs as at 31 December 2020 and of its incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of The Institute for Fiscal Studies ("the Charitable Company") for the year ended 31 December 2020 which comprise the Statement of Financial Activities, Balance sheet, Statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We 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

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

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

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

Other information

The Trustees are responsible for the other information. The other information comprises the information included in the Trustees' Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

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

- the information given in the Trustees' Report, which includes the Directors' Report and the Strategic report prepared for the purposes of Company Law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' Report, which are included in the Trustees' report, have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Charitable Company and its environment obtained in the course of the audit, we have not identified material misstatement in the Strategic report or the 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 Charitable Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Trustees

As explained more fully in the Trustees' responsibilities, 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 the Companies Act 2006 and report in accordance with the Act and relevant regulations made or having effect thereunder.

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

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

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

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

In addition the Charitable Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: Employment Law and Data Protection. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and other management and inspection of regulatory and legal correspondence if any.

There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion.

Audit procedures capable of detecting irregularities including fraud performed by the engagement team included:

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

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

- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
- Enquiries as to whether there have been any serious incident reports or correspondence with the Charity Commission and reviewing and assessing the impact of any reports or correspondence;
- Challenging assumptions made by management in their significant accounting estimates in particular in relation to the progress of multi-year research projects and the classification of grants and contracts as restricted or unrestricted; and
- In addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments.

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.

DocuSigned by:

Fiona Condron

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Fiona Condron (Senior Statutory Auditor)

For and on behalf of BDO LLP, statutory auditor

Gatwick, UK

Date: 17 June 2021

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		2020 Unrestricted £	2020 Restricted £	2020 Total £	2019 Total £
Income from:					
Donations and legacies	2	152,790	-	152,790	191,944
Charitable activities	3	1,322,443	8,319,794	9,642,237	9,056,411
Investment income	4	6,468	-	6,468	18,196
Other income		681	-	681	5,770
Total income		1,482,382	8,319,794	9,802,176	9,272,321
Expenditure on:					
Raising funds	6	55,933	-	55,933	58,615
Charitable activities	6	813,675	8,803,115	9,616,790	9,035,360
Total Expenditure		869,608	8,803,115	9,672,723	9,093,975
Net income		612,774	(483,321)	129,453	178,346
Transfers between funds	13	(483,321)	483,321	-	-
Net movement in funds		129,453	-	129,453	178,346
Reconciliation of funds:					
Total funds brought forward	13	2,984,770	-	2,984,770	2,806,424
Total funds carried forward	13	3,114,223	-	3,114,223	2,984,770

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		2020	2019
		£	£
Fixed assets			
Tangible assets	10	93,718	130,793
Total fixed assets		93,718	130,793
Current assets			
Debtors	11	2,120,020	2,081,457
Short term deposits		1,242,992	1,239,733
Cash at bank and in hand		3,246,702	3,120,380
Total current assets		6,609,714	6,441,570
Liabilities:			
Creditors: Amounts falling due within one year	12	(3,589,210)	(3,587,593)
Net current assets		3,020,505	2,853,977
Net assets		3,114,223	2,984,770
Total funds:			
Unrestricted funds			
- General Fund	13	3,020,505	2,853,977
- Fixed Asset Fund	13	93,718	130,793
		3,114,223	2,984,770
Restricted	13	-	-
Total		3,114,223	2,984,770

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



David Miles, Chair of the Executive Committee

17 June 2021

Company registered number: 00954616

Registered Charity: 258815

Statement of cash flows

Year ended 31 December	2020	2019
	£	£
Reconciliation of net income to net cash flow from operating activities		
Net income for the reporting periods (as per the Statement of Financial Activities)	129,453	178,346
Adjustments for:		
Depreciation charges	76,002	83,062
Interest on investments	(6,468)	(18,196)
(Increase) in debtors and accrued income	(38,564)	(661,383)
Increase in creditors and accrued expenses	28,224	441,805
(Decrease) in grants received in advance of expenditure	(26,607)	(577,102)
Net cash (expended on)/generated from operating activities	162,040	(553,468)
Interest on investments	6,468	18,196
Purchase of tangible fixed assets	(38,928)	(49,510)
Cash flows from investing activities	(32,460)	(31,314)
Change in cash and cash equivalents in the reporting period	129,581	(584,782)
Cash and cash equivalents at the beginning of the reporting period	4,360,113	4,944,895
Cash and cash equivalents at the end of the reporting period	4,489,694	4,360,113
Analysis of cash and cash equivalents		
	2020	2019
	£	£
Short term deposits	1,242,992	1,239,733
Cash at bank and in hand	3,246,702	3,120,380
Total cash and cash equivalents	4,489,694	4,360,113

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

Notes to the accounts

1 Accounting policies

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

a) Basis of preparation

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

The Institute for Fiscal Studies meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy note(s).

Going Concern

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

The Executive Committee considered the extreme scenario that no projects currently applied for were successful, that no further applications were submitted, and that all debtors were delayed by three months whilst all creditors were settled in the current month. **Even in this case, which is not considered even remotely likely, the IFS's cash position was only projected to turn negative greater than 12 months from the date of signing these accounts.** Therefore 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.

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 subscriptions and donations

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

d) Income - 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

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

The Institute is usually entitled to research income in stages over the course of a project, subject to performance-related conditions requiring a particular level of service or output, often approximating to when related expenditure is incurred. In such cases, research income is credited to the statement of financial activities when it falls due to be received to the extent that it is matched by related expenditure.

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

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 2020. Transactions in foreign currencies are calculated at the exchange rate ruling at the date of the transaction and Institute-wide foreign exchange gains or loss made during the year are taken into account in arriving at the net income for the year.

l) Financial instruments

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

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

2 Membership and donations

	2020 £	2019 £
Corporate membership	99,257	143,849
Individual membership	28,533	17,944
	127,790	161,793
Other donations	25,000	30,151
	152,790	191,944

3 Income from charitable activities

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

	2020	2020	2020	2019	2019	2019
	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
ESRC	-	3,979,522	3,979,522	-	3,575,962	3,575,962
Charitable Trusts and Foundations	175,076	1,583,674	1,758,750	15,795	1,882,528	1,898,323
Government (or similar)	779,517	2,595,749	3,375,266	945,602	2,272,373	3,217,975
Other organisations	300,086	160,849	460,935	23,138	258,182	281,320
Event income	26,174	-	26,174	28,406	-	28,406
Publications	41,590	-	41,590	54,425	-	54,425
	1,322,443	8,319,794	9,642,237	1,067,366	7,989,045	9,056,411

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

4 Investment income

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

5 Analysis of expenditure

Total costs include payments to third parties that work together with the IFS on particular projects. Where the Institute is the lead organisation, it receives funding from the grant-giving body for all participating organisations for onward transmission. 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	2020 Total	2019 Total
Research collaborations and subcontracts	1,555,442	-	-	-	1,555,442	1,401,519
Data costs and data collection costs	691,086	-	-	-	691,086	446,936
IFS travel, accommodation and subsistence	32,064	-	-	-	32,064	130,271
Visitor travel, accommodation and subsistence	18,013	-	-	-	18,013	56,452
Event, publication and dissemination costs	385,992	497	-	41,287	427,776	519,554
Other direct costs	99,285	-	-	-	99,285	142,001
Premises	-	-	-	581,049	581,049	571,126
IT and office costs	-	-	-	286,723	286,723	173,620
Other staff costs	-	-	-	61,074	61,074	132,068
Insurance and professional fees	-	-	22,208	86,097	108,305	93,313
Other	-	-	-	3,361	3,361	70,024
Total costs (excluding staff costs)	2,781,882	497	22,208	1,059,592	3,864,179	3,736,884
Staff costs (universities)	569,149	-	-	-	569,149	714,465
Research Fellows and Research Associates	214,182	-	-	-	214,182	249,213
	783,331	-	-	-	783,331	963,678
IFS staff costs (research)	4,025,278	-	-	-	4,025,278	3,499,844
IFS staff costs (events and dissemination)	-	26,747	-	348,317	375,064	336,674
IFS staff costs (research services)	-	17,244	-	155,192	172,436	168,066
IFS staff costs (central)	-	-	19,090	433,346	452,436	388,829
	4,025,278	43,991	19,090	936,855	5,025,214	4,393,413
Total staff costs (Including Fellows and Associates)	4,808,609	43,991	19,090	936,855	5,808,545	5,357,091
Total expenditure	7,590,491	44,488	41,298	1,996,447	9,672,723	9,093,975
Allocation of support costs (including governance)	2,026,299	11,446	(41,298)	(1,996,447)	-	-
Total expenditure	9,616,790	55,933	-	-	9,672,723	9,093,975

Analysis of expenditure 2019

Analysis of expenditure 2019	Total charitable activities	Raising funds	Governance costs	Support costs	2019 Total
Research collaborations and subcontracts	1,401,519	-	-	-	1,401,519
Data costs and data collection costs	446,936	-	-	-	446,936
IFS travel, accommodation and subsistence	130,271	-	-	-	130,271
Visitor travel, accommodation and subsistence	56,452	-	-	-	56,452
Event, publication and dissemination costs	473,362	4,966	-	41,226	519,554
Other direct costs	142,001	-	-	-	142,001
Premises	-	-	-	571,126	571,126
IT and office costs	-	-	-	173,620	173,620
Other staff costs	-	-	-	132,068	132,068
Insurance and professional fees	-	-	28,048	65,265	93,313
Other	-	-	196	69,828	70,024
Total costs (excluding staff costs)	2,650,541	4,966	28,244	1,053,133	3,736,884
Staff costs (universities)	714,465	-	-	-	714,465
Research Fellows and Research Associates	249,213	-	-	-	249,213
	963,678	-	-	-	963,678
IFS staff costs (research)	3,499,844	-	-	-	3,499,844
IFS staff costs (events and dissemination)	-	25,090	-	311,584	336,674
IFS staff costs (research services)	-	16,807	-	151,259	168,066
IFS staff costs (central)	-	-	17,773	371,056	388,829
	3,499,844	41,897	17,773	833,899	4,393,413
Total staff costs (including Fellows and Associates)	4,463,522	41,897	17,773	833,899	5,357,091
Total expenditure	7,114,063	46,863	46,017	1,887,032	9,093,975
Allocation of support costs (including governance)	1,921,297	11,752	(46,017)	(1,887,032)	-
Total expenditure	9,035,360	58,615	-	-	9,093,975

6 Expenditure

	Unrestricted	Restricted	2020 Total	2019 Total
Cost of raising funds				
Direct costs (membership programme)	497	-	497	4,966
Staff costs (direct)	43,991	-	43,991	41,897
Support and governance costs (allocation)	11,446	-	11,446	11,752
	55,933	-	55,933	58,615
Charitable activities				
Project costs	130,185	2,651,697	2,781,882	2,650,541
Staff costs (Total)	576,455	5,188,099	5,764,554	5,315,194
Support and governance costs (allocation)	107,035	963,319	1,070,354	1,069,625
	813,675	8,803,115	9,616,790	9,035,360
Total Expenditure	869,608	8,803,115	9,672,723	9,093,975

2019	Unrestricted	Restricted	2019 Total
Cost of raising funds			
Direct costs (membership programme)	4,966	-	4,966
Staff costs (direct)	41,897	-	41,897
Support and governance costs (allocation)	11,752	-	11,752
	58,615	-	58,615
Charitable activities			
Project costs	309,856	2,340,685	2,650,541
Staff costs (total)	425,216	4,889,979	5,315,194
Support and governance costs (allocation)	85,570	984,055	1,069,625
	820,642	8,214,718	9,035,360
Total expenditure	879,257	8,214,718	9,093,975

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

The cost of raising funds include 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 (2019: £0).

7 Net income

Net income is stated after charging:

	2020	2019
	£	£
Depreciation	76,002	83,062
Auditor's remuneration		
- Audit fees	20,330	17,800
Operating lease rentals - property	384,000	375,000

Audit fees are stated net of VAT and disbursements.

8 Analysis of staff costs and key management personnel

	2020	2019
	£	£
Wages and salaries	4,332,636	3,791,893
Social security costs	435,946	373,556
Pension costs	256,632	227,964
	5,025,214	4,393,413
<i>Comprising:</i>		
Researchers	4,025,278	3,499,844
Support staff	999,936	893,569
IFS payroll staff	5,025,214	4,393,413
Staff costs (universities)	569,149	714,465
Research Fellow and Research Associate payments	214,182	249,213
	5,808,545	5,357,091

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 2020, on average 15 (2019:15) named, highly skilled individuals to carry out specific research duties at IFS in their areas of academic excellence. In 2020, £80,000 (2019: £92,500) of the amount for Research Fellows and Research Associates relates to these individuals.

During 2020 the Institute's senior management team comprised: the Director, Paul Johnson, and the Research Directors, Professors Richard Blundell, Rachel Griffith, Imran Rasul and Fabien Postel-Vinay. In 2020, the total compensation for these key management personnel, including amounts due to universities under contractual arrangement for the provision of an agreed amount of the **Research Directors' time was £623,059 (2.3 FTE) (2019: £473,982 (2.6 FTE)).**

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 £117,791 (for 19 employees) (2019: £102,187 for 20 employees).

	2020	2019
	Number	Number
£60,001-£70,000	4	8
£70,001-£80,000	8	5
£80,001-£90,000	2	5
£90,001-£100,000	2	1
£100,001-£110,000	2	-
£210,001-£220,000	1	1
	19	20

9 Staff numbers

	2020 FTE	Average number	2019 FTE	Average number
Research staff				
Permanent contracts	40.9	44.1	36.2	40.4
Fixed-term contracts	15.5	18.8	16.2	20.5
Variable hour contracts	1.9	5.8	1.6	3.7
	58.3	68.7	54	64.6
Central staff				
Events, publications, dissemination	6.7	7.4	6.3	6.8
Finance, HR, IT, central support	9.4	10.0	7.3	7.6
Research services	2.9	2.9	3	3
	19	20.3	16.6	17.4
Total	77	89.0	71	82
Full time		65.5		55
Part time		23.5		27

10 Tangible fixed assets

	Fixtures and improvements to short leasehold premises	Office equipment	Total
	£	£	£
Cost			
At 1 January 2020	775,394	409,571	1,184,965
Additions	12,243	26,685	38,928
Disposals and assets no longer in use		(6,216)	(6,216)
At 31 December 2020	787,637	430,040	1,217,677
Depreciation			
At 1 January 2020	742,500	311,672	1,054,172
Charge for the year ⁽¹⁾	14,751	61,251	76,002
Disposals and assets no longer in use		(6,216)	(6,216)
At 31 December 2020	757,251	366,708	1,123,959
Net book value			
As at 31 December 2020	30,386	63,332	93,718
As at 31 December 2019	32,894	97,899	130,793

- (1) The depreciation charge for the year included £24,317 (2019: £29,760) 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	2020 £	2019 £
Accrued income	317,151	1,348,280	1,665,431	1,324,378
Trade debtors	90,259	158,681	248,940	421,898
Other debtors	2,549	-	2,549	18,982
Prepayments	203,100	-	203,100	316,199
	613,059	1,506,961	2,120,020	2,081,457

12 Creditors

	Unrestricted	Restricted	2020 £	2019 £
Amounts falling due within one year				
Trade payables	8,182	35,232	43,414	406,191
Taxation and social security	132,896	-	132,896	115,270
VAT	6,907	-	6,907	44,679
Accruals	400,698	594,651	995,349	584,202
	548,683	629,883	1,178,566	1,150,342
Deferred Income				
Balance at 1 January 2020 (restated)	403,233	2,034,018	2,437,251	3,014,353
Amount released to income	(313,270)	(1,845,973)	(2,159,243)	(2,613,402)
Amount deferred in the year	270,003	1,862,633	2,132,636	2,036,300
Balance at 31 December 2020	359,966	2,050,678	2,410,644	2,437,251
Total creditors: amounts falling due within one year	908,649	2,680,561	3,589,210	3,587,593

As at 31 December 2020, total deferred income was £2,410,644 (2019: £2,437,251). 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 2022 or 2023.

Following a detailed review of three contracts during the year, it was agreed to change their classification from restricted to unrestricted. The balances brought forward have been restated accordingly.

13 Analysis of movement in funds

	At 1 Jan 2020	Income	Expenditure	Transfers	At 31 Dec 2020
		£	£	£	£
Unrestricted funds					
General fund	2,853,977	1,482,382	(869,608)	(446,246)	3,020,505
Fixed asset fund	130,793	-	-	(37,075)	93,718
	2,984,770	1,482,382	(869,608)	(483,321)	3,114,223
Restricted funds					
Research funds	-	8,319,794	(8,803,115)	483,321	-
Total funds	2,984,770	9,802,176	(9,672,723)	-	3,114,223

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

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

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

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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 2020, the income and expenditure on these grants was as set out below.

2020

Project name	Funder	Start date	End date	2020 Income £	Accrued/ (Deferred) Income as at 31 Dec 2020 £
The Centre for Tax Analysis in Developing Countries – Phase 2 (TAXDEV II)	DFID	11/11/18	31/10/22	1,109,685	310,564
Personal Finances	Standard Life Foundation	01/05/20	31/12/20	90,000	-
Trust for London Personal Finances	Trust for London	01/05/20	31/12/20	20,000	-
Centre for Ageing Better	Centre for Ageing Better	01/06/20	20/08/22	27,848	(20,246)

2019

Project name	Funder	Start date	End date	2019 Income £	Accrued/ (Deferred) Income as at 31 Dec 2019 £
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	2/2/2017	30/4/2019	143,071	-

14 Analysis of net assets between funds

	2020 Unrestricted	2020 Restricted	2020 Total	2019 Unrestricted	2019 Restricted	2019 Total
Tangible fixed assets	93,718	-	93,718	130,793	-	130,793
Cash at bank and in hand	3,316,094	1,173,600	4,489,694	3,022,054	1,338,059	4,360,113
Net current assets/(liabilities)	(295,589)	(1,173,600)	(1,469,189)	(168,077)	(1,338,059)	(1,506,136)
Net assets at 31 December	3,114,223	-	3,114,223	2,984,770	-	2,984,770

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.

	2020 £	2019 £
One year	375,000	178,767
Two to five years	1,307,192	-

16 Pension scheme

The total pension cost to the IFS for contributions to employees' pension schemes under the IFS's group personal pension plans with Scottish Widows was £230,287 (2019: £206,842). In addition, three members of staff (2019: three) participated in other personal pension schemes, of their own choice, to which the Institute contributed £26,345 (2019: £21,122).

	2020	2019
	£	£
Scottish Widows	230,287	206,842
Other	26,345	21,122
Total	256,632	227,964

17 Related party transactions

Lorraine Dearden, a member of Paul Johnson's close family, was a Research Fellow at IFS and was paid a standard fee of £5,000 per annum (2019: £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 2020. The buyout from the Institute of Education pre-dates Paul Johnson's appointment as Director and was agreed by his predecessor.

18 Comparative information: Statement of financial activities for the year to 31 December 2019

2019	2019 Unrestricted £	2019 Restricted £	2019 Total £
Income from:			
Donations and legacies	191,944	-	191,944
Charitable activities	1,067,366	7,989,045	9,056,411
Investment income	18,196	-	18,196
Other income	5,770	-	5,770
Total income	1,283,276	7,989,045	9,272,321
Expenditure on:			
Raising funds	58,615	-	58,615
Charitable activities	820,642	8,214,718	9,035,360
Total expenditure	879,257	8,214,718	9,093,975
Net income charitable activities	246,724	(225,673)	21,051
Net income	404,019	(225,673)	178,346
Transfers between funds	(225,673)	225,673	-
Net movement in funds	178,346	-	178,346
Reconciliation of funds:			
Total funds brought forward	2,806,424	-	2,806,424
Total funds carried forward	2,984,770	-	2,984,770

