

Strategic framework

This framework was approved by the Executive Committee at its meeting of 25 April 2005. It is intended as a “living document” and therefore will be subject to review from time to time.

The goal of the Institute for Fiscal Studies is to promote effective and coherent economic and social policies in the UK and elsewhere, by analysing rigorously and impartially their impact on the behaviour of individuals, households, firms and the public finances.

Four principles guide our work:

- policy relevance;
- analytical rigour;
- innovative use of statistical evidence, and;
- effective communication with the users of our research.

At the request of the Executive Committee and in light of proposed changes to requirements for charity accounts, this note outlines a draft Strategic Framework for the IFS. It describes how IFS management addresses six key ongoing challenges: maintaining the excellence of our research, preserving our independence, engaging with stakeholders, maintaining financial viability, ensuring good governance and supporting the institute's members. An annex describes the role of the Tax Law Review Committee in this context, reflecting its quasi-independent status.

1. Maintaining excellence in research

The excellence of our research depends on the quality of our researchers and the environment in which they work. In an increasingly competitive labour market, we have to recruit and retain individuals who combine top-flight academic credentials with policy expertise and effective communication skills. We encourage an open, cooperative working environment, in which young researchers have extensive contact and work as equals with senior ones. Our network of domestic and international fellows and associates also helps ensure we stay at the academic and policy frontier. To build on these foundations, we are evaluating the career structure at IFS and being more explicit about the outputs and skills expected of staff at different levels.

The nature of our funding is also an important spur to excellence: the vast majority of our income is sought from institutions who weigh the quality of our proposals and outputs against those of competing providers in deciding whether to fund us. Research outputs are also offered for publication to leading peer-reviewed journals. We regard extensive two-way communication with all users of our research – not just funders – as essential to ensure the quality and relevance of our work. We aim to ensure that these drivers of excellence are pursued across the full range of IFS activities.

Within the broad goal of promoting effective economic and social policies, the areas on which we decide to focus over time are determined by a number of factors, including the policy agenda, the opportunity for intellectual advances, the availability of funding and the interests and expertise of existing and potential members of staff. We think it important to be flexible in exploiting opportunities as we develop our research agenda. The main elements of our prospective research agenda are outlined in our recent successful bid in 2004 for the renewal of our ESRC centre funding.

2. Preserving independence and impartiality in policy analysis

Our independence from political and other vested interests is an important dimension of the quality of our research and is strongly appreciated by the users of our output. IFS research outputs are formally the views of the authors rather than the institution, so it is important that both IFS as a whole and its individual staff are seen to be free of bias.

We maintain and demonstrate our independence in a number of ways. For example, IFS staff are contractually restricted from many forms of formal political activism and we are very wary of employing people who have worked in political posts in the past. The diversity of our funding is also a guarantor of independence – we do not accept funding from politically aligned bodies and we normally only accept funding from business in broadly based consortia. We only take funding when we have reasonable guarantees that we can publish our findings without interference from the funder. We are endeavouring to maintain and broaden the diversity of this funding.

We are willing to help political parties with policy development on an informal, confidential and unpaid basis, when time and resources permit. The Director endeavours to ensure that this activity is undertaken in an even-handed way – we do not provide assistance that we would not be willing to provide to any other party that asked, and we make it clear that we retain the right to comment as we see fit on the policy once announced.

Ultimately, users will judge our independence from our output. All IFS outputs are the views of their authors rather than a corporate view, although it is inevitable that they will not always be reported as such in the media. The Director keeps the outputs of IFS staff under constant review to ensure they live up to the standards of independence and even-handedness we expect. The ESRC's 2003-04 annual report underlined the respect in which our analysis is held across the political spectrum.

3. Engaging with a wide range of stakeholders

The Institute interacts with a wide range of stakeholders, including policymakers, the media, civil society, the business community, academia and the general public. All staff are encouraged to interact with potential users of their work, with the Director and external relations team taking responsibility for ensuring effective dissemination.

We aim to maintain our existing extensive links with policymakers in many government departments and agencies, as well as their overseas counterparts. We also frequently help parliamentary committees and international institutions in their scrutiny of UK policies. Our expertise and independence means that we are frequently called to contribute to the media, a role that will be especially important in the forthcoming general election campaign. We aim to expand our contacts in this area.

We also enjoy extensive contacts with business and non-governmental organisations, such as campaigning bodies. Interaction with such bodies helps ensure the continued relevance and practicality of our work, although it is important to ensure that such links do not compromise the reality or perception of our independence.

The general public access our work indirectly through the media and also through our website, which is an important conduit for communication with all our stakeholders. An improved version of the website will be launched by the end of 2004.

4. Ensuring financial viability and good management

The Institute's objectives have to be achieved within a financial framework that reflects the fact that it is an independent organisation without substantial financial or physical resources. Membership income provides a modest and falling share of total revenues. This is likely to remain so, reflecting financial pressures on corporate budgets and the fact that web-posting of most research outputs to reach the broadest possible audience means that members no longer receive preferential access. This means that most research has to be funded on an ongoing project-by-project basis. We have strengthened our assessment and management of the research-funding pipeline.

The Executive Committee, as the Trustees, have determined that the financial viability of the Institute can only be achieved if expenditure in any year is less than the income raised in that period and that there are sufficient cash reserves to ensure that working capital levels are maintained at an adequate level. As a result the Trustees have determined that:

- the Institute should aim to break even at the operating level after any contributions to reserves;
- the Institute should reach a position where the lower of either its cash reserves (as represented by all liquid assets) or book reserves (as represented by total fund balances) represents at least 20% of total annual expenditure;
- cash reserves be invested in interest bearing accounts such as not to risk any of the principal.

In meeting these objectives the Institute endeavours to follow good management practice in terms of its relations with its stakeholders (including its staff, funders, members and suppliers) and to organise itself in an efficient and ethical manner.

Trustees will continue to keep this strategy under review.

5. Ensuring good governance

The Council and Executive Committee recognise the importance of a properly managed and accountable organisation, which meets the needs of its stakeholders. The responsibility for good governance rests with the Executive Committee as Trustees of the Institute. Their powers are drawn from the Memorandum and Articles of Association. The Executive Committee is responsible to IFS Members through the Council and at the AGM. The membership of the Council and Committee is drawn from a diverse range of backgrounds with interest in the work of the institute.

To ensure the appropriate division of duties between the Trustees and staff a scheme of delegation has been drawn up in which a number of day-to-day

duties have been formally delegated to the Director. In turn the Executive Committee allows the Director to delegate a number of these powers to other staff.

The Executive Committee receives regular reports from Institute Officers on a range of matters, including research, finance and staffing. It relies in addition on advice from outside advisers such as the Institute's Auditors and on information from regulatory bodies.

Trustees remain aware of the changing regulatory structure (such as any new Charities Act and accounting changes) and will review the Institute's procedures accordingly.

6. Ensuring members of the Institute are properly supported

Individuals and companies can support the work of the IFS by becoming members. Institute Members have an important formal role, as they constitutionally hold Trustees and Officers to account. Their membership subscriptions also represent an important source of income, coming as it does "without strings". Members can also be called upon as a source of information and advice, but to safeguard our independence it is important that they are not seen to have special influence on research findings.

It is important that Members are properly supported and their involvement valued by:

- ensuring that the Institute is run in an open and transparent way;
- being provided with information in a timely and appropriate manner;
- having the opportunity to comment on the work of the Institute through attendance at conferences and seminars.