



Trustees' Report

Year ended 31 December 2021

Institute for Fiscal Studies



Contents

Company information	3
Introduction from the Chair of Trustees	4
Objectives and activities	5
The objects of the Institute	
Strategic framework	
How has the Institute tried to further these aims?	
Review of 2021	6
2021 in numbers	15
Priorities for 2022 and beyond	16
Strategic Report	19
Financial review	
Reserves policy	
Principal risks and uncertainties	
Governance and management	21
Constitution	
Members of the Executive Committee	
Induction and training of Trustees	
Remuneration policy	
Organisational structure of the Institute and the decision-making process	
Statement of policy on fundraising	
Charity Governance Code	
Trustees' responsibilities	23
Auditor's Report	24
Financial reports	27
Statement of financial activities	
Balance sheet	
Statement of cash flows	
Notes to the accounts	30

Company information

Company registered office

7 Ridgmount Street
London
WC1E 7AE

Company registered number

0954616 (Incorporated in England and Wales)

Registered charity

258815

Company bankers

National Westminster Bank plc

City of London Office

1 Princes Street

London EC2R 8BP

Auditor

BDO LLP

55 Baker Street

London W1U 7EU

Introduction from the Chair of Trustees

I am pleased to present the Trustees' report of the activities of IFS in 2021. Throughout the year, IFS staff and trustees have been working to ensure that activities could continue during the COVID-19 pandemic and to manage a smooth return to the office, coupled with some continued home working. Alongside the welfare of IFS staff, a key priority has been to develop a long-term research programme to help policymakers navigate the economic and social challenges that the country faces as it emerges from the pandemic.



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, across the range of research programmes, at the core of which is our ESRC-funded Research Institute (CPP). The Deaton Review of Inequalities also continues, led by Nobel Laureate, Sir Angus Deaton, and funded by the Nuffield Foundation: some of its findings were published towards the end of 2021, and there is more to come over the coming year. The Review has brought together leading academics both in economics and other disciplines; researchers involved in the Review have been looking at aspects of inequality caused or exacerbated by the pandemic.

The academic excellence of the Institute's research and researchers has continued to be recognised. Research Director Rachel Griffith was made a Dame in the New Year Honours List, along with IFS Research Fellow, Carol Propper. IFS Research Fellow Alissa Goodman was awarded a CBE in the Queen's birthday honours. In recognition of the excellence of one of our early-career researchers, Associate Director Anne Brockmeyer was awarded the prestigious UKRI Future Leaders Fellowship.

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 contributes greatly to future stability. The Institute has also been successful in gaining 'impact acceleration' funding from the ESRC to broaden and deepen the impact of its research, which will be used to invest in digital expansion and public engagement. We have continued with this programme during 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.

Heartfelt thanks are due to David Miles, who stepped down as Chair at the end of last year as he took up a role at the Office for Budget Responsibility and whose contribution to the governance of IFS over the past six years has been invaluable. 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. I would like to thank my fellow Trustees for giving their time and expertise so generously throughout the year.

Michael Ridge

Michael Ridge

Chair of Trustees

Institute for Fiscal Studies

23 June 2022

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 2021, 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 2021

In 2021, IFS continued to undertake rigorous research to inform public understanding of crucial policy issues. IFS research spans a broad spectrum of topics and is presented to, and discussed with, audiences from academics at international conferences to UK policymakers to undergraduate students.

As the COVID-19 pandemic continued into 2021, much of the Institute's energies were directed towards research that would help policymakers navigate the pandemic and associated economic situation. 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. We also made longer-term plans for research to help inform policies for recovery from the economic impact of the pandemic.

Academic excellence

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

- IFS Research Fellow Alissa Goodman was awarded a CBE in Queen's birthday honours.
- IFS Associate Director Anne Brockmeyer was awarded the UKRI Future Leaders Fellowship.
- IFS Research Associate Xavier Jaravel won Le Monde's Best Young Economist 2021.
- Rachel Griffith and Carol Propper were both made Dames in 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 financial review on page 19 for details). During 2021, IFS was notified of the outcome of 68 research proposals, of which 43 were approved for funding (63% success rate). Given that the length of the decision process varies somewhat across funders, the number of applications evaluated was broadly comparable to 2020, and, if anything, there was a slight upturn in the success rate (in 2020: 65 evaluated, 38 approved, success rate of 58%). A total of 102 funded research projects were active in 2021 which is very similar to 2020 (98). Selected ongoing and new research projects from 2021 are outlined below.

Key new and ongoing research grants

A large number of new projects had been undertaken during 2020 to look swiftly at aspects of policy related to the COVID-19 pandemic. As this work was concluded, researchers started to shift their focus to investigations that would look at the longer-term economic, social and health-related impacts of the pandemic and seek potential policy remedies. New projects in this area started in 2021 included:

- vocational training, on the job training, and resilience to the COVID-19 shock;
- preserving employer-employee links in the COVID-19 era;
- COVID-19 and childcare: local impacts across England;
- COVID-19 and the UK nations' fiscal frameworks: impacts, performance and lessons;
- early retirement ages and employment before and during COVID-19;
- saving, spending and financial resilience in the wake of the pandemic.

Centre for the Microeconomic Analysis of Public Policy (CPP)

CPP has been at the heart of IFS research and its dissemination over the past 30 years. In recognition of the role this research has played in the UK social sciences, the 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; and
- demands on public expenditure and public services.

Inequalities in the 21st century

Work has continued on this wide-ranging, international and interdisciplinary programme of research funded by the Nuffield Foundation. Altogether, 20 chapters, along with commentaries, were in preparation during the year: all the chapters are likely to have been released by the end of the summer of 2022. The chapters contain much new work, as well as summarising the current state of thinking in each area. In addition, the country studies will focus on those particular countries and provide comparative data. A raft of communications and engagement work is also underway.

Towards the end of 2021, five of the chapters were released online. These covered:

- philosophy of inequality;
- attitudes to inequality;
- trade and inequality;
- technical change, globalisation and the labour market;
- men and women at work.

The final set of chapters will be gathered in a volume to be published by a leading academic publisher.

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 datasets, and building cutting-edge models of economic decisions.

Public policy in food markets: understanding advertising and choice inter-dependencies

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 versus 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 ESRC, 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 public services use 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 are collaborating with the Ministry of Justice (MoJ) to address this challenge: we are working on a package of activities to advance the use of machine learning techniques to exploit the richness of MoJ's administrative and administrative-linked datasets as sources of

information on individuals' offending, educational and economic trajectories and their journeys through the justice system.

Taxation of pensions

With funding from the abrdrn Financial Fairness Trust, the aim of this project is to inform and improve the pensions tax debate and policy outcomes. Our strategy is to ensure policymakers and others debating reform are armed with as full an understanding as possible of what the plausible policy options are, what the distributional consequences would be, and what effects on incentives and behaviour need to be considered.

Workers in health 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 Policy Research Unit on Health and Social Care Workforce (HSCWRU), in partnership with IFS and Imperial College London. Of every 100 people working in England today, 13 of them work in jobs that are in health and social care. Nearly £2 out of every £3 spent on the NHS goes on paying its staff. The HSCWRU aims to help government by providing the answers to the workforce questions that affect both the quality and cost of health and social care services. The HSCWRU is tackling a set of research questions agreed with government, with IFS research particularly focusing on analysing employee 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. The project is set to continue until mid-2022, and work in this area has already been influential in shaping policy. Researchers have given evidence to the Health Select Committee on obesity, presented to groups of civil servants in Westminster and the regions, and met one-to-one with Ministers and other senior policymakers to explain the implications of the research for policies to tackle childhood obesity. They have also engaged widely with industry leaders.



Pension saving over the life course

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 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, which 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 addressed the following important research questions during 2021.

- 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?

In 2022, researchers will continue the project, considering the following questions.

- 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?

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, with funding from the Nuffield Foundation, 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, because schools are ranked in publicly available league tables based on these scores, and they increasingly influence teacher pay and promotion, and school policy.

Communication and stakeholders

IFS receives UKRI funding 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 continued to direct their efforts during the year into communicating research findings remotely, although it was also possible to have some in-person events again. Along with a series of online events and videos, we also continued our fortnightly podcast, *IFS Zooms In*,

often dealing with topics related to the pandemic and policy responses to it. 25 episodes were recorded, featuring 40 different guests; series 2 received over 35,000 listens, with high consumption rates (80%+ completion). An average episode achieved a 35% growth in listenership compared with 2020.

Conferences and lectures

In 2021, almost all of our events continued to take place online rather than in-person. As everything opened up after the summer, we experimented with different event formats. In September, we held the Annual Lecture, with Nobel Laureate Jean Tirole, in a hybrid format, with half of the audience in the lecture theatre and the other half watching online. We also held our usual post-Budget press briefing in a hybrid format, inviting the press and other VIPs to attend in person and live-streaming for free online. Despite some technical issues, this model seemed to work well and will likely continue to be a feature of our events programme from 2022 onwards.

Some highlights are listed below.

- Our event videos from 2021 have been watched on YouTube a combined total of over 31,370 times so far (2020: 42,000 so far).
- The briefings presenting our analysis of the two fiscal events in 2021 were among the most popular events of the year, with over 450 people watching the Spring Budget live and over 500 people watching the Autumn Budget live. Both have had over 3,000 views each on YouTube.



- This year's Green Budget launch was spread out over six online events: three public briefings, one press briefing, a corporate member briefing, and an event as part of the Festival of Social Science. In total, over 400 people watched at least one of these events live, and the videos have had almost 2,500 views on YouTube subsequently.
- We held nine events as part of this year's ESRC Festival of Social Science, mainly using it as an opportunity to give more junior researchers experience presenting and chairing events, and to engage with younger audiences. The event videos have been watched over 2,000 times, and our event on carbon taxes was selected as one of only a few events to be highlighted by the ESRC in their press release for the festival.
- We held three joint (online) debates with Chartered Institute of Taxation ('How high should the corporate tax rate be?' on 22 April; 'How should platforms and gig economy workers be taxed?' on 23 June; and 'What is the role of tax in getting to net zero?' on 21 October), as well as two hybrid events at the party conferences ('A wealth tax to help pay for Covid'). These events continued to be popular, attracting live audiences of over 180 each.
- Richard Blundell, David A. Green and Wenchao (Michelle) Jin (2022), 'The UK as a technological follower: higher education expansion and the college wage premium', *Review of Economic Studies*, Vol. 89, pp. 142–80
- Pedro Carneiro, Lucy Kraftman, Giacomo Mason, Lucie Moore, Imran Rasul and Molly Scott, 'The impacts of a multifaceted pre-natal intervention on human capital accumulation in early life', *American Economic Review*, Vol. 111, No. 8, pp. 2506–49
- Gregory Crawford, Rachel Griffith and Alessandro Iaria (2021), 'A survey of preference estimation with unobserved choice set heterogeneity', *Journal of Econometrics*, Vol. 222, Issue 1, pp. 4–43
- Rowena Crawford, George Stoye and Ben Zaranko (2021), 'Long-term care spending and hospital use among the older population in England', *Journal of Health Economics*, Vol. 78, pp. 102477
- Jonathan Cribb and Carl Emmerson (2021), 'What can we learn about automatic enrollment into pensions from small employers?', *National Tax Journal*, Vol. 2, No. 74, pp. 377–404
- Thomas Crossley, Paul Fisher, Peter Levell and Hamish Low (2021), 'MPCs in an economic crisis: Spending, saving and private transfers', *Journal of Public Economics Plus*, Vol. 2, 100005
- Brendon McConnell and Imran Rasul (2021), 'Contagious animosity in the field: evidence from the federal criminal justice system', *Journal of Labor Economics*, Vol. 39, No. 3, pp. 739–85
- Martin O'Connell, Áureo de Paula and Kate Smith (2021), 'Preparing for a pandemic: spending dynamics and panic buying during the COVID-19 first wave', *Fiscal Studies*, Volume 42, No. 2, pp. 249–64
- Sean Sylvia, Nele Warrinnier, Renfu Luo, Ai Yue, Orazio Attanasio, Alexis Medina and Scott Rozelle (2021), 'From quantity to quality: delivering a home-based parenting intervention through China's family planning cadres', *Economic Journal*, Vol. 131, No. 635, pp. 1365–1400
- Nicola Shelton, Oliver Duke-Williams, Laura van der Erve, Jack Britton and Wei Xun (2021), 'Is studying medicine good for your health? Long-term health outcomes of a cohort of clinical medicine graduates in England and Wales in the ONS Longitudinal Study', *BMJ Open*, 11:e041224

Research findings and reports

A key strength of IFS is that its analysis of policy and its contributions to the public debate are grounded in rigorous empirical research. IFS researchers and Fellows published 48 journal articles during the year, including two in the top five economics journals and 13 in the leading field journals.

- 13 journal articles looking at aspects of health and health care, including in developing countries.
- Six articles, published quickly this year, looked particularly at topics around the COVID-19 pandemic.
- The IFS journal, *Fiscal Studies*, which is published by Wiley, curated two special issues during 2021. These dealt with aspects of inequality and with the taxation of wealth. Articles in the journal are selected for their policy relevance, in particular to the current UK policy discourse, while maintaining an exacting standard of academic rigour.

A range of the highlights were as follows.

- James Banks, Iris Kesternich and James P Smith (2021), 'International differences in interspousal health correlations', *Health Economics*, Vol. 30, pp. 1152–1177
- Richard Blundell, Monica Costa Dias, David Goll and Costas Meghir (2021), 'Wages, experience and training of women over the lifecycle', *Journal of Labor Economics*, Vol. 39, No. S1, pp. S275–S315

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 2021 report, we focused in particular on changes wrought

on society by the COVID-19 pandemic and associated restrictions. We looked at how different groups fared, with a focus on low-income households, both before and during the pandemic. Other research on inequality has looked at: differences in the returns to undergraduate degrees by socio-economic background and ethnicity; inheritances and inequality for younger generations; why wealthy parents tend to have children who accumulate wealth more than children of less wealthy parents; and the impact of living costs on returns to higher education.

A number of reports were produced using Longitudinal Education Outcomes (LEO) data, which looked at the interplay between intergenerational mobility and university degrees. This research was able to investigate the outcomes for students at different types of university and studying different subjects. Researchers also studied the link between higher education, geographical mobility and outcomes for individuals and regions.

Researchers launched the fourth 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. In order to inform the debate as effectively as possible, in addition to the final report, we published a range of smaller outputs throughout the year on different topics to provide more timely and rapid analysis of the resource challenges facing different phases of education. Other work looked at the effect on children's education of home learning during the pandemic, finding evidence that disruption during the pandemic has undermined children's education and increased inequalities between those from disadvantaged backgrounds and their better-off peers. This work will be an important step in assessing the extent of learning loss, and what can be done to help pupils to catch up.

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 broadcasters. In addition, as ever, research was disseminated via local radio and newspapers and through a range of online media outlets. Analysis was presented on the day following the Budget to journalists and key civil servants, to explain the implications for the public finances, businesses and for households. Similar comment and analysis were carried out later in the year in response to the Chancellor's Autumn Budget and the Spending Review. Researchers also published a report looking at the lessons from the pandemic for the funding arrangements of the devolved governments of Scotland, Wales and Northern Ireland.

The IFS Green Budget 2021 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; outlook for the public finances; fiscal rules; Spending Review plans; pressures on the NHS; local government finances in the wake of COVID-19; tax policies to achieve zero-carbon emissions; and employment and the end of the furlough scheme.

In the context of the Scottish Parliamentary Elections, with funding from the Scottish Policy Foundation, we analysed recent trends in public spending, tax revenues and policy, and the new Scottish social security system. We also analysed 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 were published in two reports and disseminated widely via a virtual event, and social, print and broadcast media.

The Tax Law Review Committee is a body made up of experts in taxation and tax law, who this year produced a report on the future for tax tribunals. This paper addressed problems and strengths of the current tribunal system, identifying the underlying causes of problems and suggesting how improvements could be made.

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 2021, staff gave or submitted evidence over 12 times (15 in 2020).

In 2021 staff have given evidence to:

- Treasury Select Committee (1)
- Health Select Committee (1)
- Scottish Parliament Finance Committee (2)
- Senedd Finance committee (2)
- House of Lords Public Service Committee (2)
- London Assembly Economy Committee (1)
- Work and Pensions Select Committee (1)
- NI Assembly Finance Committee (1)
- Public Accounts Committee (1)

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

- Carl Emmerson, member of Social Security Advisory Committee.
- Paul Johnson, sitting on: Northern Ireland Fiscal Commission, 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 RES communications and engagement committee (2019-present).
- David Phillips, sitting on the Welsh Government's Tax Advisory Group, and part of the Scottish Parliament's external expert panel, and also sits on the Finance & Constitution Committee in the Scottish Parliament.
- George Stoye, 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 46,000 followers. We have seen year-on-year growth in followers of 11.4% in 2021 and a 63% rise in the number of impressions. IFS director Paul Johnson's Twitter account has over 38,000 followers (2020: 32,000), and reached over 17 million impressions in 2021 (2020: 11 million).

Over the past year, YouTube has continued to be key 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 continues to be central to our digital strategy – it hosts our explainer videos, event videos, podcasts and other video content. This gives us an exceptional opportunity to reach younger

audiences. In 2021, around 83% of our YouTube audience was aged between 18 and 34. During the year, we had 119,787 views (2020: 123,000) on YouTube and people watched over 13,500 hours (2020: 12,400) of content.

The number of website users (individual visitors) remained roughly consistent between 2020 and 2021, with numbers having climbed steadily over the last few years.

During the year, we launched a new website, TaxLab, in addition to the main IFS site. IFS TaxLab was created as a 'one-stop shop' for impartial information on the UK tax system, providing better access to impartial information about how the UK tax system works, the effects it has on different people and businesses, and the options for reform. Everything on the site is either a verifiable fact or a conclusion drawing on the best possible evidence. Our research, academic papers and policy commentaries – from which TaxLab articles will often draw – continue to be published on the main IFS website. 26,000 visitors came to the site during 2021, since its launch in June.

Capacity building

IFS contributes to the UK social science environment by training excellent economists – both our own researchers and those working elsewhere. IFS researchers who move on typically take up positions in academia, or in the civil service or the media, where they will put into practice the research and communication skills they have learned at the Institute. During 2021, 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. Some 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 when required.

Two new graduate economists were taken on in 2021 (2020: six), as well as one post-doctoral researcher (2020: five).

The Institute also runs a summer internship programme. In 2021, six students (2020: one – when we largely suspended the scheme due to the pandemic) were taken on for six-week placements, working with research teams on projects that gave them a taste of the type of work undertaken by new research economists.

In order to encourage diversity and openness in our recruitment process, we continued to look at our recruitment materials to ensure that they were accessible, to provide information to demystify the recruitment and interview process, and to advertise our vacancies widely, in line with our Equality, Diversity and Inclusion policy. 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. Because of the pandemic, we were unable to run a previously successful work experience scheme for young people from under-represented backgrounds, but we aim to resume this in future.

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

In 2021, as well as the usual report launches and other public briefings, we held a series of events during the expanded ESRC Festival of Social Science (taking place across a full month, instead of a week as in previous years) designed to engage with students and members of the general public. This included a series of five weekly early-evening lectures covering a range of topics in public economics, delivered by early-career researchers. As well as reaching an average audience of 350 young people each, these lectures were an opportunity to give more junior researchers experience of chairing events to large groups (albeit online).

During the Festival of Social Science month, we also held an interactive workshop for A-level students, encouraging them to apply the tools of economics to solving environmental

issues. This was attended by 45 young people, who gave very positive feedback afterwards, with all attendees reporting that they were keen to learn more about economics as a result of the event.

Overall, the nine events we held during the Festival of Social Science were watched a total of 2,800 times.

In 2021, we held seven courses under the auspices of the Centre for Microdata Methods and Practice, a joint enterprise with UCL. This was the highest number of courses held in a single year since 2017. We also ran two masterclasses. All these events were held online. We had a combined total of over 100 attendees on the courses, 85% of whom were academics, and 13% of attendees were from a government body or charity. Of our masterclass attendees, 61% were academics and 38% were from a government body or charity.

Governance

Strategic oversight

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

Staff welfare and working practices

Since the relaxing of pandemic restrictions, staff have returned to working the majority of their time in the office, but with the provision to work from home when this is advised or mandated by the government. To accommodate new ways of working introduced during the pandemic, the organisation is operating a policy that allows some home working where wanted and feasible. The policy will be reviewed on an ongoing basis.

During the year, in order to ensure that staff were coping with home working and possible isolation, managers kept in frequent contact with their teams. We introduced ways for staff to keep in touch remotely and have offered support to anyone struggling with mental health issues. A number of members of staff attended a Mental Health First Aid course. We 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. The organisation has continued to monitor, and implement policies to safeguard, staff mental health.

2021 in numbers

IFS impact in 2021

45

top five journal articles
past decade (2012–21)

129

top field journal articles
past decade

165

front pages
(218 in 2020)

249

press interviews
(282 in 2020)

149

Hansard mentions
(186 in 2020)

Academic and policy publications and events	2021	2020	2019
Journal articles	48	39	34
Top five*	2	3	3
Top field journals [◇]	13	9	7
Working papers	67	73	64
IFS reports and briefing notes	44	63	44
Observations	42	43	35

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

[◇] *Journal of Health Economics*, *Journal of Labor Economics*, *Journal of Human Resources*, *Review of Economic Dynamics*, *Journal of Public Economics*, *Journal of Econometrics*, *RAND Journal of Economics*, *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*

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

Hansard mentions	149	186	165
Evidence given	12	15	9

Priorities for 2022 and beyond

Academic excellence

As mentioned above, 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 for 2022

As the country emerges from the COVID-19 pandemic, IFS researchers are embedding questions about how to encourage recovery into paid work across our full range of research programmes. A number of the research programmes mentioned above will be continuing into 2022 and beyond. In addition, the following specific new projects are already funded and due to begin during the year.

Productivity, wages and the labour market

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

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

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

Our research programme will focus on key aspects of skills, jobs and careers by investigating:

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

The research programme will complement the work of CPP and the IFS Deaton Review of Inequalities.

Determinants of health: review of funding allocations

With funding from the Health Foundation, this project will set out to:

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

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

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

IFS has been progressively building a model of the English local government finance system, which we have been using in our research on the outlook for local government funding and the effects of various options for reform of the local finance system, part-funded by the ESRC. In this new project, further funding from the ESRC will allow us to collaborate with the Chartered Institute of Public Finance and Accountancy and the District Councils Network to develop and roll out a co-branded web-based version of this model. This will allow councils, and particularly smaller less-well-resourced councils, to better understand their financial outlook in the medium and longer terms. In particular, using the model, council officers, members and other stakeholders will be able to see how revenues and spending needs are likely to evolve given projected socio-economic changes, local decisions on council tax and central government decisions on grant funding and the design of the finance system.

Unfree time: women's labour, leisure, and the persistence of seclusion

Researchers will be look into women's seclusion in India, with funding from the Leverhulme Trust. Seclusion is a defining feature of women's lives in India. On a randomly chosen day in 2019, 45% of married women in India reported that they did not leave their own home at any point; by contrast, only 4% of married men reported not leaving home. In India, as across much of South Asia, informal rules dictating that it is undesirable for women to mix or socialise widely or to occupy spaces outside of their own dwelling are common. Such social norms may be enforced by a shared understanding of what is natural, social sanctions, or threats of harassment or violence.

Because leaving home is typically necessary for activities as diverse as participating in paid work, seeking medical care, participating in politics and maintaining friendships, it is clear that norms of female seclusion have the potential to inflict severe harm on women. The project involves a programme of work that explores the impacts of seclusion norms and why they persist. In doing so, we particularly focus on how seclusion norms shape women's participation in paid work and the division of resources within the family.

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

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

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

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

Consumption dynamics and the insurance value of benefits

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

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

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

Mental health and peer effects in primary schools: implications for future educational achievement and labour market success

This project, funded by the Rockwool Foundation, examines peer effects among Danish students in public primary schools

on short-term and long-term measures of mental health, as well as its implications on future educational achievement and labour market success.

Evaluation of Skills Bootcamps

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

Communication and stakeholders

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 is 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, as follows.

- Develop stronger engagement, relationships and impact with three key stakeholder groups: business, central government, and local and devolved governments. This will lead to improved understanding, engagement and knowledge exchange. This will inform our own research programmes, build coalitions of funders, and impact on these actors' understanding and policies;
- 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. As mentioned above, to provide information directly to the public, we secured funding from Friends Provident to build a website, TaxLab, which holds accessible materials, including videos, graphics and summaries of research, on the subject of tax. We will add to the resources already on the site over the coming years;
- We will also train and develop research and support staff at all career stages. The ultimate objective is to ensure the

sustainability of our impact capacity and to ensure that we build on our past successes in creating new generations of researchers who can go on to influential positions in academia and public policy, where they can have long-term positive impact on policy and public understanding.

Capacity building

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

IFS is currently reviewing its staff induction and training programme, using feedback from staff at all levels to identify gaps in skills and experience and to update the training to address these.

As mentioned above, we have taken on a number of new recruits in 2021 who will be trained and developed over the year. In the autumn of 2022, at least three new graduates will start work at IFS and will be trained in research and communication skills, working alongside more experienced researchers and Research Fellows and Associates, who are leaders in their fields from universities in the UK and overseas.

We plan to take on a further two postdoctoral Fellows from September 2022 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 six 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 2021 are presented in the Statement of Financial Activities on page 27. The level of activity was approximately 10% lower in 2021 than 2020, driven by £1.2million fewer reimbursable expenses (mainly costs in respect of data purchase, project-specific events and dissemination, and external research collaborations). Total income was £8,771,724 (2020: £9,802,176) and total expenditure was £8,476,119 (2020: £9,672,723).

The Statement of Financial Activities shows an overall surplus for the year ended 31 December 2021 of £295,605 (2020: £129,453), representing a surplus on charitable activities of £228,505 (2020: £25,447).

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 44% of the income recognised in 2021 was provided by the ESRC (41% in 2020), 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, £1,243,186 (2020: £1,242,992) was held in a COIF Charities Deposit Fund and £4,368,227 (2020: £3,246,702) was held in cash.

Reserves policy

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

As at 31 December 2021, the Institute's total reserves were £3,409,828 (2020: £3,114,223), comprising the unrestricted General Fund of £3,279,270 (2020: £3,020,505), the unrestricted Fixed Asset Fund of £62,377 (2020: £93,718) and the unrestricted Intangible Asset Fund of £68,181 (2020: £0).

The General Fund reflects the Institute's net current assets and is considered to be 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.

	2021	2021	2021	2020	2020	2020
	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
Cash and cash equivalents	3,744,158	1,867,255	5,611,413	3,316,094	1,173,600	4,489,694
Less net grants received in advance	(283,327)	(1,392,622)	(1,675,949)	(42,815)	(702,398)	(745,213)
Cash holdings (excluding net project grants received in advance)	3,460,831	474,633	3,935,464	3,273,279	471,202	3,744,481
Other Working Capital	(181,561)	(474,633)	(656,194)	(252,774)	(471,202)	(723,977)
General Fund	3,279,270	-	3,279,270	3,020,505	-	3,020,505
No. of months of forecast expenditure (excluding direct project costs)	5.5 months			4.9 months		
Target level for the General Fund: (six months forecast expenditure, excluding Direct Project Costs)	£3.6m			£3.6m		

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

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. The pay and review process for Research Economists was reviewed and reformed in 2021, with a new system in place for all new hires. Staffing requirements are planned as far in advance as possible, and good relationships are maintained with top universities and institutions, both in the UK and overseas.

IFS is a leading academic institute, and it is imperative to maintain the quality of our research. Quality assurance procedures are in place that require the involvement of senior staff for all projects. Staff adhere to the IFS code of good

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

IFS's landlord is committed to selling its stake in the building during 2022, which increases the likelihood that IFS will need to find new offices at some point in the medium term. It should be noted that IFS has protected tenant status under the 1954 Landlord and Tenant Act until at least June 2025. There is a risk in the future that IFS will not be able to find suitable offices at an affordable rate in the vicinity of UCL and near to Westminster, both of which are important for collaboration with colleagues and stakeholders. IFS has undertaken a legal review of its lease to understand its rights and financial risks under a new landlord, and has formed a working group to understand future office requirements and the availability of suitable new accommodation should it be required to move.

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

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, that all debtors were delayed by three months whilst all creditors were settled in the current month and that no cost mitigations were introduced whether on staff costs or capital investments. Even in this case, which is not considered even remotely likely, the IFS's cash position was not projected to turn negative in the 12 months from the date of signing of the 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 2021, the number of guarantors was 50 (46 at the end of November 2020), four of whom were elected by the IFS members. The Articles contain the provision that the IFS Council be expanded to no more than 50 persons and that it shall consist of 45 members elected by Council and five members elected by the wider IFS membership.

Members of the 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 the Executive Committee consists of at least seven and no more than 12 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 2021 was:

- Jonathan Athow
- James Bell
- John F. Chown
- David Gregson
- Peter Kane
- Caroline Mawhood
- David Miles (Chair until retired in December 2021)
- Orna NiChionna
- Gus O'Donnell (President, IFS Council)
- Michael Ridge (Chair from January 2022)
- 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 and memberships of the committees, which continued to meet during 2021, 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; and
- the planned activity of internal audit (if appropriate) and external audit.

Membership during 2021:

Jonathan Athow*, Peter Kane*, Caroline Mawhood* (Chair)

IFS staff attending:

Carl Emmerson (Deputy Director), Slav Sikora-Sikorski (Head of Finance)

* Trustee

Nominations Committee

The Nominations Committee's objectives are:

- to develop and maintain rigorous and transparent procedures for appointments and re-appointments to the Council and the President, Trustees and its committees;
- to propose candidates for appointment to the Council and to the board of trustees;
- to formulate plans for succession and ensure that there is a transparent and fair procedure for the appointment of the President, Chair of trustees, Honorary Officers members of the Council and board of trustee;
- 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; and
- to review the results of the Board performance evaluation process that relate to the composition of the Board.

Membership during 2021:

David Gregson*, Frances Cairncross§, David Miles*¥ (Chair), Michael Ridge*

IFS staff attending:

Carl Emmerson (Deputy Director), Emma Hyman (Head of Operations)

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

Induction and training of Trustees

New Trustees receive training and induction following their appointment. Trustees are kept up-to-date with IFS research by a rolling programme of research presentations made at each meeting of the 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 2021, 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, Deputy Research Directors, Monica Costa Dias and Sonya Krutikova, 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', who in turn delegates various duties to senior staff.

The Institute employed directly an average of 87 (2020: 89) full- and part-time staff usually based at its office in Ridgmount Street, London. Research staff are divided into sectors, and administrative staff provide support facilities.

The Institute also employed indirectly 12 (2020: 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

Michael Ridge

Michael Ridge

Chair of the Executive Committee

23 June 2022

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 2021 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 Institute for Fiscal Studies ("the Charitable Company") for the year ended 31 December 2021 which comprise the statement of financial activities, the balance sheet, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

Independence

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

Conclusions related to going concern

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

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

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

Other information

The Trustees are responsible for the other information. The other information comprises the information included in the Trustees' Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the 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 Trustees' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Trustees

As explained more fully in the Trustees' responsibilities, the Trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

- 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.

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

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

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

Use of our report

This report is made solely to the Charitable Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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:

E4A9BFA9CEA6449...
Stephen Corrall (Senior Statutory Auditor)

For and on behalf of BDO LLP, statutory auditor

Guildford, UK

05 July 2022

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	2021		2020		
	Unrestricted	Restricted	Total	Total	
	£	£	£	£	
Income from:					
Donations and legacies	2	123,537	-	123,537	152,790
Charitable activities	3	996,535	7,650,948	8,647,483	9,642,237
Investment income	4	704	-	704	6,468
Other income		-	-	-	681
Total income		1,120,776	7,650,948	8,771,724	9,802,176
Expenditure on:					
Raising funds	6	57,140	-	57,140	55,933
Charitable activities	6	745,192	7,673,787	8,418,979	9,616,790
Total expenditure		802,332	7,673,787	8,476,119	9,672,723
Net income		318,444	(22,839)	295,605	129,453
Transfers between funds	14	(22,839)	22,839	-	-
Net movement in funds		295,605	-	295,605	129,453
Reconciliation of funds:					
Total funds brought forward	15	3,114,223	-	3,114,223	2,984,770
Total funds carried forward	15	3,409,828	-	3,409,828	3,114,223

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		2021	2020
		£	£
Fixed assets			
Tangible assets	10	62,377	93,718
Total fixed assets		62,377	93,718
Intangible assets	11	68,181	0
Total intangible assets		68,181	0
Current assets			
Debtors	12	2,176,801	2,120,020
Short-term deposits		1,243,186	1,242,992
Cash at bank and in hand		4,368,227	3,246,702
Total current assets		7,788,214	6,609,714
Liabilities:			
Creditors: amounts falling due within one year	13	(4,508,944)	(3,589,209)
Net current assets		3,279,270	3,020,505
Net assets		3,409,828	3,114,223
Total funds:			
Unrestricted funds			
-General Fund	14	3,279,270	3,020,505
-Fixed Asset Fund	14	62,377	93,718
-Intangible Asset Fund	14	68,181	0
		3,409,828	3,114,223
Restricted	14	-	-
Total		3,409,828	3,114,223

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

Michael Ridge

Michael Ridge, Chair of the Executive Committee

23 June 2022

Company registered number: 00954616

Registered Charity: 258815

Statement of cash flows

Year ended 31 December	2021	2020
	£	£
Reconciliation of net income to net cash flow from operating activities		
Net income for the reporting periods (as per the Statement of Financial Activities)	295,605	129,453
Adjustments for:		
Depreciation charges	59,594	76,002
Interest on investments	(704)	(6,468)
(Increase) in debtors and accrued income	(56,781)	(38,564)
Increase in creditors and accrued expenses	30,277	28,224
Increase/(decrease) in grants received in advance of expenditure	889,457	(26,607)
Net cash (expended on)/generated from operating activities	1,217,448	162,040
Interest on investments	704	6,468
Purchase of intangible assets	(68,181)	-
Purchase of tangible fixed assets	(28,252)	(38,928)
Cash flows from investing activities	(95,729)	(32,460)
Change in cash and cash equivalents in the reporting period	1,121,719	129,581
Cash and cash equivalents at the beginning of the reporting period	4,489,694	4,360,113
Cash and cash equivalents at the end of the reporting period	5,611,413	4,489,694
Analysis of cash and cash equivalents		
	2021	2020
	£	£
Short-term deposits	1,243,186	1,242,992
Cash at bank and in hand	4,368,227	3,246,702
Total cash and cash equivalents	5,611,413	4,489,694

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, that all debtors were delayed by three months whilst all creditors were settled in the current month and that no cost mitigations were introduced whether on staff costs or capital investments. Even in this case, which is not considered even remotely likely, the IFS's cash position was not projected to turn negative in the 12 months from the date of signing of the 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) Intangible assets and amortization

All intangible assets capitalised are amortised over three years from the point when they are brought into actual use.

d) Income – Membership subscriptions and donations

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

e) Income – Publications

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

f) Income – Research Activities

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

The Institute is usually entitled to research income in stages over the course of a project, subject to performance-related conditions requiring a particular level of service or output, often

approximating to when related expenditure is incurred. In such cases, research income is credited to the statement of financial activities when it falls due to be received to the extent that it is matched by related expenditure.

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

g) Interest receivable

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

h) Allocation of expenses

Direct and indirect expenses are included when incurred. The majority of expenses are directly attributable to specific activities. Indirect overhead costs (e.g. premises and administration) are allocated on a basis consistent with the use of the resource, usually on a per capita basis. Irrecoverable VAT is charged as a cost against the activity for which the expenditure was incurred.

i) Pension costs

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

j) Operating leases

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

k) Current asset investments – short-term deposits

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

l) Foreign currency

The value of the balances in the Institute's Euro and US Dollar accounts at the end of the year was based on the exchange rate as at 31 December 2021. 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.

m) 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.

n) Critical accounting estimates and areas of judgement

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

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

o) Funds

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

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

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

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

2. Membership and donations

	2021	2020
	£	£
Corporate membership	90,021	99,257
Individual membership	33,456	28,533
	123,477	127,790
Other donations	60	25,000
	123,537	152,790

3. Income from charitable activities

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

	2021	2021	2021	2020	2020	2020
	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
ESRC	-	3,777,987	3,777,987	-	3,979,522	3,979,522
Charitable Trusts and Foundations	-	1,443,259	1,443,259	175,076	1,583,674	1,758,750
Government (or similar)	734,018	2,393,398	3,127,416	779,517	2,595,749	3,375,266
Other organisations	160,930	36,304	197,234	300,086	160,849	460,935
Event income	43,802	-	43,802	26,174	-	26,174
Publications	57,785	-	57,785	41,590	-	41,590
	996,535	7,650,948	8,647,483	1,322,443	8,319,794	9,642,237

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	2021 Total	2020 Total
Research collaborations and subcontracts	1,307,167	-	-	-	1,307,167	1,555,442
Data costs and data collection costs	79,803	-	-	-	79,803	691,086
IFS travel, accommodation and subsistence	10,361	-	-	-	10,361	32,064
Visitor travel, accommodation and subsistence	538	-	-	-	538	18,013
Event, publication and dissemination costs	121,747	393	-	84,988	207,128	427,776
Other direct costs	96,670	-	-	-	96,670	99,285
Premises	-	-	-	582,136	582,136	581,049
IT and office costs	-	-	-	261,202	261,202	286,723
Other staff costs	-	-	-	52,898	52,898	61,074
Insurance and professional fees	-	-	26,567	82,918	109,485	108,305
Other	-	-	-	62,481	62,481	3,361
Total costs (excluding staff costs)	1,616,286	393	26,567	1,126,622	2,769,868	3,864,179
Staff costs (universities)	570,507	-	-	-	570,507	569,149
Research Fellows and Research Associates	105,850	-	-	-	105,850	214,182
	676,357	-	-	-	676,357	783,331
IFS staff costs (research)	3,961,898	25,140	6,336	-	3,993,373	4,025,278
IFS staff costs (events and dissemination)	-	16,303	-	380,849	397,153	375,064
IFS staff costs (research services)	-	3,554	-	176,282	179,836	172,436
IFS staff costs (central)	-	-	22,472	437,060	459,532	452,436
	3,961,898	44,997	28,807	994,192	5,029,894	5,025,214
Total staff costs (including Fellows and Associates)	4,638,255	44,997	28,807	994,192	5,706,251	5,808,545
Total expenditure	6,254,541	45,390	55,374	2,120,814	8,476,119	9,672,723
Allocation of support costs (including governance)	2,164,438	11,750	(55,374)	(2,120,814)	-	-
Total expenditure	8,418,979	57,140	-	-	8,476,119	9,672,723

Analysis of expenditure 2020	Total charitable activities	Raising funds	Governance costs	Support costs	2020 total
Research collaborations and subcontracts	1,555,442	-	-	-	1,555,442
Data costs and data collection costs	691,086	-	-	-	691,086
IFS travel, accommodation and subsistence	32,064	-	-	-	32,064
Visitor travel, accommodation and subsistence	18,013	-	-	-	18,013
Event, publication and dissemination costs	385,992	497	-	41,287	427,776
Other direct costs	99,285	-	-	-	99,285
Premises	-	-	-	581,049	581,049
IT and office costs	-	-	-	286,723	286,723
Other staff costs	-	-	-	61,074	61,074
Insurance and professional fees	-	-	22,208	86,097	108,305
Other	-	-	-	3,361	3,361
Total costs (excluding staff costs)	2,781,882	497	22,208	1,059,592	3,864,179
Staff costs (universities)	569,149	-	-	-	569,149
Research Fellows and Research Associates	214,182	-	-	-	214,182
	783,331	-	-	-	783,331
IFS staff costs (research)	4,025,278	-	-	-	4,025,278
IFS staff costs (events and dissemination)	-	26,747	-	348,317	375,064
IFS staff costs (research services)	-	17,244	-	155,192	172,436
IFS staff costs (central)	-	-	19,090	433,346	452,436
	4,025,278	43,991	19,090	936,855	5,025,214
Total staff costs (including Fellows and Associates)	4,808,609	43,991	19,090	936,855	5,808,545
Total expenditure	7,590,491	44,488	41,298	1,996,447	9,672,723
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

6. Expenditure

2021	Unrestricted	Restricted	2021 Total	2020 Total
Cost of raising funds				
Direct costs (membership programme)	394	-	394	497
Staff costs (direct)	44,996	-	44,996	43,991
Support and governance costs (allocation)	11,750	-	11,750	11,446
	57,140	-	57,140	55,933
Charitable activities				
Project costs	31,174	1,585,112	1,616,286	2,781,882
Staff costs (Total)	594,211	5,067,043	5,661,254	5,764,554
Support and governance costs (allocation)	119,807	1,021,632	1,141,439	1,070,354
	745,192	7,673,787	8,418,979	9,616,790
Total expenditure	802,332	7,673,787	8,476,119	9,672,723

2020	Unrestricted	Restricted	2020 Total
Cost of raising funds			
Direct costs (membership programme)	497	-	497
Staff costs (direct)	43,991	-	43,991
Support and governance costs (allocation)	11,446	-	11,446
	55,933	-	55,933
Charitable activities			
Project costs	130,185	2,651,697	2,781,882
Staff costs (total)	576,455	5,188,099	5,764,554
Support and governance costs (allocation)	107,035	963,319	1,070,354
	813,675	8,803,115	9,616,790
Total expenditure	869,608	8,803,115	9,672,723

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 (2020: £0).

7. Net income

Net income is stated after charging:

	2021	2020
	£	£
Depreciation	59,594	76,002
Auditor's remuneration		
-Audit fees	25,892	20,330
Operating lease rentals – property	375,000	384,000

Audit fees are stated net of VAT and disbursements.

8. Analysis of staff costs and key management personnel

	2021	2020
	£	£
Wages and salaries	4,312,680	4,332,636
Social security costs	457,916	435,946
Pension costs	259,298	256,632
	5,029,894	5,025,214
Comprising:		
Researchers	3,993,373	4,025,278
Support staff	1,036,521	999,936
IFS payroll staff	5,029,894	5,025,214
Staff costs (universities)	570,507	569,149
Research Fellow and Research Associate payments	105,850	214,182
	5,706,251	5,808,545

IFS has agreements in place with several universities/institutions for the provision of an agreed proportion of the working time (typically 10–50%), during 2021, of on average 12 (2020: 15) named, highly skilled individuals to carry out specific research duties at IFS in their areas of academic excellence. In 2021, £85,000 (2020: £80,000) of the amount for Research Fellows and Research Associates relates to these individuals.

During 2021, 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 2021, 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 £642,683 (2.1 FTE) (2020: £623,059 (2.3 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 £147,858 (for 26 employees) (2020: £117,791 for 19 employees).

	2021	2020
	Number	Number
£60,001–£70,000	9	4
£70,001–£80,000	10	8
£80,001–£90,000	3	2
£90,001–£100,000	2	2
£100,001–£110,000	1	2
£210,001–£220,000	1	1
	26	19

9. Staff numbers

	2021 FTE	Average number	2020 FTE	Average number
Research staff				
Permanent contracts	40.5	43.4	40.9	44.1
Fixed-term contracts	14.0	18.4	15.5	18.8
Variable hour contracts	2.6	4.7	1.9	5.8
	57.1	66.5	58.3	68.7
Central staff				
Events, publications, dissemination	7.2	8.0	6.7	7.4
Finance, HR, IT, central support	9.5	9.9	9.4	10.0
Research services	3.0	3.0	2.9	2.9
	19.7	20.9	19.0	20.3
Total	76.8	87.4	77.3	89.0
Full-time		60.1		65.5
Part-time		27.3		23.5

10. Tangible fixed assets

	Fixtures and improvements to short leasehold premises	Office equipment	Total
	£	£	£
Cost			
At 1 January 2021	787,637	430,040	1,217,677
Additions	-	28,252	28,252
Disposals and assets no longer in use	-	(107,139)	(107,139)
At 31 December 2021	787,637	351,153	1,138,790
Depreciation			
At 1 January 2021	757,251	366,708	1,123,959
Charge for the year ⁽¹⁾	13,448	46,146	59,594
Disposals and assets no longer in use	-	(107,139)	(107,139)
At 31 December 2021	770,699	305,714	1,076,413
Net book value			
As at 31 December 2021	16,938	45,439	62,377
As at 31 December 2020	30,386	63,332	93,718

(1) The depreciation charge for the year included £0 (2020: £24,317) 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. Intangible assets

	IFS website £	Total £
Cost		
At 1 January 2021	-	-
Additions ⁽¹⁾	68,181	68,181
Disposals and assets no longer in use	-	-
At 31 December 2021	68,181	68,181
Amortisation		
At 1 January 2021	-	-
At 31 December 2021	-	-
Net book value		
As at 31 December 2021	68,181	68,181
As at 31 December 2020	-	-

(1) All contracted costs associated with the build of IFS's new website, in line with FRS 102 requirements. This is expected to go live in 2022, at which point it will be amortised over three years

12. Debtors

	Unrestricted	Restricted	2021 £	2020 £
Accrued income	182,582	1,441,570	1,624,152	1,665,431
Trade debtors	133,943	112,631	246,574	248,940
Other debtors	6,497	-	6,497	2,549
Prepayments	299,578	-	299,578	203,100
	622,600	1,554,201	2,176,801	2,120,020

13. Creditors

	Unrestricted	Restricted	2021 £	2020 £
Amounts falling due within one year				
Trade payables	80,045	109,939	189,984	43,414
Taxation and social security	123,990	-	123,990	132,896
VAT	45,009	-	45,009	6,907
Accruals	372,536	477,324	849,860	995,349
	621,580	587,263	1,208,843	1,178,566
Deferred income				
Balance at 1 January 2021	359,966	2,050,678	2,410,644	2,437,251
Amount released to income	(70,398)	(1,701,912)	(1,772,310)	(2,159,243)
Amount deferred in the year	176,341	2,485,426	2,661,767	2,132,636
Balance at 31 December 2021	465,909	2,834,192	3,300,101	2,410,644
Total creditors: amounts falling due within one year	1,087,489	3,421,455	4,508,944	3,589,210

As at 31 December 2021, total deferred income was £3,300,101 (2020: £2,410,644). 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.

14. Analysis of movement in funds

2021	At 1 Jan 2021	Income	Expenditure	Transfers	At 31 Dec 2021
		£	£	£	£
Unrestricted funds					
General Fund	3,020,505	1,120,776	(802,332)	(59,679)	3,279,270
Fixed Asset Fund	93,718	-	-	(31,341)	62,377
Intangible Asset Fund	-	-	-	68,181	68,181
	3,114,223	1,120,776	(802,332)	(22,839)	3,409,828
Restricted funds					
Research funds	-	7,650,948	(7,673,787)	22,839	-
Total funds	3,114,223	8,771,724	(8,476,119)	-	3,409,828
<hr/>					
2020	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

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

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

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

Within restricted research funds are funds relating to projects where the agreement with the funder requests that the project funding is separately disclosed in the financial statements. During 2021, the income and expenditure on these grants was as set out below.

2021

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

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	-
Changing Patterns of Work in Later Life	Centre for Ageing Better	01/06/20	20/08/22	27,848	(20,246)

15. Analysis of net assets between funds

	2021 Unrestricted	2021 Restricted	2021 Total	2020 Unrestricted	2020 Restricted	2020 Total
Tangible fixed assets	68,181	-	68,181	93,718	-	93,718
Intangible assets	62,378	-	62,378	-	-	-
Cash at bank and in hand	3,744,158	1,867,255	5,611,413	3,316,094	1,173,600	4,489,694
Net current assets/(liabilities)	(464,889)	(1,867,255)	(2,332,144)	(295,589)	(1,173,600)	(1,469,189)
Net assets at 31 December	3,409,828	-	3,409,828	3,114,223	-	3,114,223

16. Operating lease commitments

The total of future minimum lease payments under non-cancellable operating leases is set out below for each of the following periods.

	2021	2020
	£	£
One year	375,000	375,000
Two to five years	932,192	1,307,192

17. 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 £243,842 (2020: £230,287). In addition, two members of staff (2020: three) participated in other personal pension schemes, of their own choice, to which the Institute contributed £15,456 (2020: £26,345).

18. Related party transactions

None

19. Comparative information: Statement of financial activities for the year to 31 December 2020

2020	2020	2020	2020
	Unrestricted	Restricted	Total
	£	£	£
Income from:			
Donations and legacies	152,790	-	152,790
Charitable activities	1,322,443	8,319,794	9,642,237
Investment income	6,468	-	6,468
Other income	681	-	681
Total income	1,482,382	8,319,794	9,802,176
Expenditure on:			
Raising funds	55,933	-	55,933
Charitable activities	813,675	8,803,115	9,616,790
Total expenditure	869,608	8,803,115	9,672,723
Net income	612,774	(483,321)	129,453
Transfers between funds	(483,321)	483,321	-
Net movement in funds	129,453	-	129,453
Reconciliation of funds:			
Total funds brought forward	2,984,770	-	2,984,770
Total funds carried forward	3,114,223	-	3,114,223

