

Institute for
Fiscal Studies

Executive Committee Report and Financial Statements

Year ended 31 December 2014



The Institute for Fiscal Studies

(A Company Limited by Guarantee not having a Share Capital
and a Registered Charity)

Company Registration Number: 954616

Registered Charity: 258815

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Company information

Company registered office

7 Ridgmount Street
London
WC1E 7AE

Company registered number

954616

Registered charity

258815

Company bankers

National Westminster Bank plc
City of London Office
1 Princes Street
London EC2R 8PA

Auditors

BDO LLP
55 Baker Street
London W1U 7EU

Solicitors

Penningtons Manches Solicitors LLP
Abacus House
33 Gutter Lane
London EC2V 8AR

Structure, governance and management

The Executive Committee presents the report and financial statements of The Institute for Fiscal Studies for the year ended 31 December 2014.

Constitution

The Institute for Fiscal Studies (IFS) was incorporated by guarantee on 21 May 1969. It has no share capital and is a registered charity. The guarantee of each Member is limited to £1. The governing document is the Memorandum and Articles of Association of the company and Members of the Executive Committee are the Directors of the company. As at 31 December 2014, the number of guarantors was 456 (488 as at 31 December 2013).

Members of the Executive Committee

The Executive Committee, which is made up of the Trustees of the Institute, is established by the IFS Council. The Members of the Council are elected by Members of the Institute in General Meeting. The Executive Committee met four times during the year. Committee membership during 2014 was:

Jonathan Athow (appointed 15 July 2014)
Martin Brookes (resigned 19 May 2014)
Frances Cairncross (Chair of the Executive Committee)
John F. Chown
Margaret Cole
Christopher Davidson
Will Hopper
Denise Lievesley
Rachel Lomax
Ian Menzies-Conacher (Honorary Company Secretary)
David Miles
Mark Robson

Induction and training of Trustees

A programme of training and induction of Trustees was developed during 2004 and approved by the Executive Committee. Trustees are kept up-to-date with IFS research by a rolling programme of research presentations made at each meeting of the Executive Committee.

Organisational structure of the Institute and the decision-making process

The operational responsibilities of the Institute are delegated via a 'Scheme of Delegation' to the Director of the Institute, who in turn delegates various duties to senior staff via an 'Internal Scheme of Delegation'.

Director: Paul Johnson

Chief Operating Officer: E. Andrew Backhouse

The Institute employed directly an average of 81 (2013: 74) full- and part-time staff based at its offices in London. Research staff are divided into sectors and a small core of administrative and secretarial staff provide support facilities.

The Institute also employed indirectly 24 (2013: 24) 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.

IFS also offers support to PhD scholars, who are normally registered at University College London. During 2014, the Institute supported 14 Scholars (2013: 11 Scholars).

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 or elsewhere in the world.

So as to advance this objective, IFS expects to retain the right to publish its reports openly in order to inform public debate and policymaking. As such, in February 2001, the Executive Committee reiterated its commitment to this policy (see www.ifs.org.uk/about/guidelines.pdf). 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 Strategic Report, where the Institute's achievements are reported.

Strategic development

IFS operates within a strategic framework agreed by the Executive Committee in 2005. The six areas covered by the framework are 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. The framework can be found on the IFS website at www.ifs.org.uk/about/strategy.pdf.

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, conference participation, on its own website and in the media. The Strategic Report below outlines how this has been done.

Strategic report

Achievements, performance and impact

IFS aims to carry out and publish high-quality, policy-relevant research in order to inform the public debate amongst a wide audience, producing reports tailored to different groups and contributing to public policy debate in different arenas.

IFS has worked on 132 funded research projects during 2014 (122 in 2013). This year, 32 (2013: 34) research projects have been completed with final reports provided to funders. IFS has also produced an additional range of outputs.

We continue to have a big impact on policy and to publish our work in the top academic journals. Recognition of our work has come in diverse forms. Our Deputy Research Director, Rachel Griffith, was recently elected President of the European Economic Association (EEA), to serve in 2015. Richard Blundell was honoured with a knighthood in the Queen's 2014 New Year's honours list. We are also delighted to have won two Prospect awards: 'Think Tank of the Year 2014' and 'Economic and Financial Think Tank of the Year 2014'. Judges recognised IFS for being 'hugely prominent in the fiscal and economic debates'.

Some key IFS outputs and achievements in the year are shown and described below.

Important events during 2014

Public finances and Budget analysis

As ever, Institute researchers responded to policy announcements and held briefings on the Budget, Spending Round and Autumn Statement. We

2014 event summary

IFS organised 24 conferences and briefings and 43 seminars, attended by an audience of policymakers, journalists, practitioners and academics. Staff took part in many more external events to different audiences across the UK and abroad.

In addition, 12 (2013: 12) training courses aimed particularly at civil servants and 4 (2013: 3) masterclasses aimed at postgraduate researchers were held under the auspices of the Centre for Microdata Methods and Practice (cemmap). An additional 10 training courses and masterclasses were organised under the auspices of the National Centre for Research Methods node, Programme Evaluation for Policy Analysis (PEPA).

IFS staff continue to serve on a range of committees and editorial boards, to give evidence to select committees and to advise on policy issues wherever possible. Meetings were held with senior representatives from the IMF, Mexican and Japanese governments and the Inter-American Development Bank advisory board.

IFS researchers held briefings to launch key pieces of research on a wide range of topics.

In December, a public economics day was held at our London offices, aimed at undergraduates. The event, which was free of charge, included a session on using economics to work in public policy.



also held events at the party conferences for the Conservatives, Labour and the Liberal Democrats. The events focused on tax and spending choices for the next parliament.

IFS published its Green Budget in February, with the pre-release of the chapter on living standards at the end of January to ensure maximum impact. Analysis this year covered the public finances, housing market trends, policies to help the low-paid, state support for early childhood education, energy prices and the taxation of private pensions. Researchers pre-released a chapter on the squeeze on incomes, which described the changes in incomes and prices that have resulted in falling living standards. The full publication was launched at an event attracting 330 attendees.

Our analysis was mentioned over 130 times by

the national and regional press, including front pages of the *Financial Times* and *Daily Telegraph* and significant coverage in the *Independent*, *Times*, *Guardian*, *Evening Standard*, *Mirror*, *Daily Mail* and *City AM*. It was covered widely by the broadcast media, with over 270 mentions recorded. Interviews were given to BBC News, BBC Radio 4's *World at One*, *Newsnight* (who did a large package on the living standards chapter), ITV, Sky, Radio 2 and Radio 5 live. The report and chapters were downloaded over 35,000 times during the first month.

Devolution and regions

In the run-up to the Scottish referendum, IFS economists produced two Briefing Notes in June as part of the ongoing ESRC-funded project, 'The Future of the UK and Scotland'. Researchers'

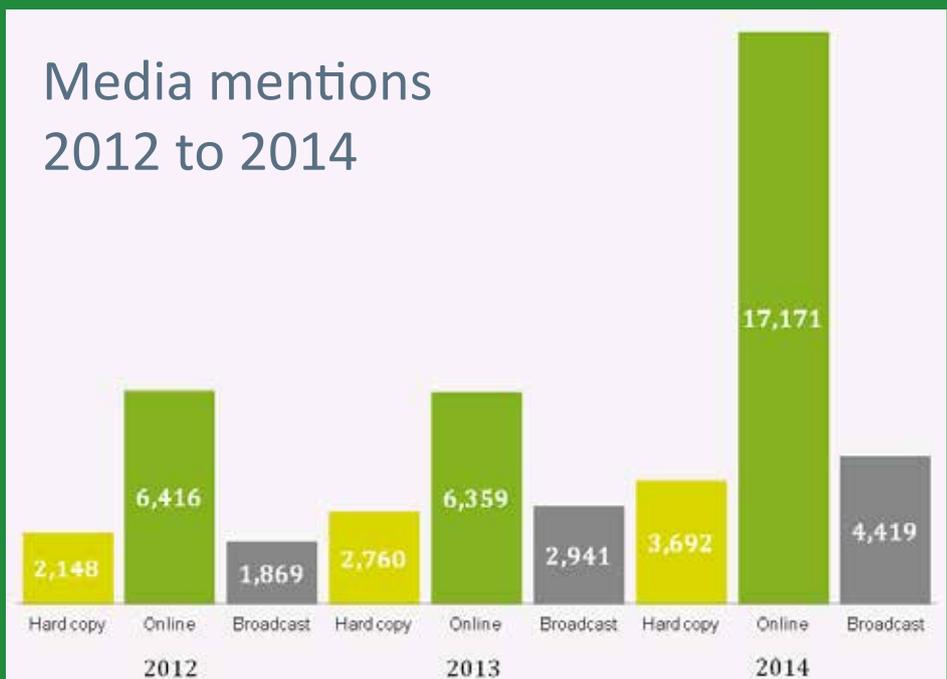
2014 media summary

Much IFS work has been widely reported in the media and referred to frequently in Parliament. Independent monitoring statistics show that IFS work was cited 4,419 (2013: 2,941) times on radio and television and that we were mentioned 3,692 (2013: 2,760) times in the printed press and 17,171 (2013: 6,359) times in the online press.

In March, IFS held a post-Budget briefing attended by 175 delegates. Researchers gave interviews to the BBC Main Budget Programme, BBC 1, BBC Radio 4 *World at One*, *Daybreak*, *ITV News*, Radio 5 live and BBC Radio 2 and two interviews to BBC Radio 4's *Today* programme. IFS analysis was mentioned over

100 times by UK national and regional newspapers, including front-page stories in the *Guardian*, *Scotsman*, *Evening Standard*, *Times* and *Daily Telegraph*, and in excess of 180 times by broadcast media.

Media mentions 2012 to 2014



update of the medium-term outlook for taxation, government spending and the public finances of Scotland was downloaded almost 5,500 times. Their work analysing the Scottish government's suggested policy changes was downloaded over 45,000 times in the first month after its publication. Authors of the research provided interviews for the Today Programme, Sky TV, STV and Kingdom FM.

In September, researchers presented their findings at two separate launch events in Edinburgh and there was great demand for IFS comment on radio and television in the run-up to the referendum. During September, our media monitoring agency recorded over 900 print and internet news mentions of our Scottish analysis.

Living standards

IFS published its detailed annual report on living standards, poverty and inequality in the UK, funded by the Joseph Rowntree Foundation, in July. The report was presented at an event hosted at IFS. Around 60 delegates attended from government,

the charity sector, academia and independent research organisations.

In November, researchers used work that they had done for the Northern Ireland Executive on trends in poverty and inequality in Northern Ireland to analyse broader trends across the UK.

Education

We modelled how planned cuts to public spending might impact on spending on higher education, including the number and generosity of student loans and grants, and what effect this could have on the future distribution of incomes among those who will potentially start university over the next five years. We published a report in April: building on previous work conducted at IFS, the report used a new model of graduate earnings and repayments to explore in more detail the pattern and size of loan repayments made, including by different types of graduate. The report was downloaded around 3,000 times during the first week after publication.

Research was launched in November on the costs

Lecture and conference highlights

During the year, three high-profile speakers gave public lectures, organised by the Institute.

- In March, Professor Alan Auerbach lectured at the Royal Society of Arts on US tax policy and its implications for the rest of the world. Introduced by Paul Johnson, the event included a panel discussion with Julian Alworth (Founding Partner, European Investment Consulting), Anne Fairpo (Deputy President, CIOT) and Stephen Fiamma (Partner, Allen & Overy). Around 90 delegates attended.
- The IFS annual lecture was delivered in May by Professor Raj Chetty on social mobility. The lecture was hosted at the British Academy and

attracted over 140 attendees from academia, government and independent research organisations.

- Professor James Hines, University of Michigan, talked about the structure of tax systems at the Royal Society in December.

In August, a number of IFS researchers presented papers at the EEA-ESEM conference in Toulouse, including work on female labour supply and welfare reform, lifetime inequality and redistribution, how household spending adjusts to economic conditions, and estimates of the effects of teacher pay on pupils' attainment. Papers were also presented at all the major economics conferences over the year, including the RES conference in March.

and benefits of different initial teacher training routes and on the effects of higher education access and funding on social mobility.

Retirement and saving

New research on retirement and saving was launched at a conference in June at the Institute and Faculty of Actuaries on future patterns of work, healthcare and incomes among older people. In their report, researchers laid out projections of the changing shape of the population aged 65 and over through to the early 2020s. The work included analysis of patterns of wealth, household composition, employment and health. The report was presented at an event attended by around 100 delegates. It was downloaded over 2,000 times during the first two months.

In September, IFS held an event on how well people are preparing for retirement, which was hosted by the Nuffield Foundation. At another event in September, IFS researchers presented findings from a number of pieces of work published over the last three years, which shed light on how financial preparedness for retirement differs across cohorts and importantly within cohorts. This was followed by a panel discussion with Professor James Banks (University of Manchester and Institute for Fiscal Studies), Otto Thoresen (Director General, Association of British Insurers) and Steve Webb MP (Minister for Pensions). The event was chaired by Paul Lewis from BBC Radio 4's Money Box programme.

Researchers published a Briefing Note analysing how fast house prices are increasing and how prices are measured. The work was launched with an accompanying Observation. The research was downloaded almost 1,000 times in the first month, and the authors were interviewed on BBC Radio 4's You and Yours programme.

2014 publications summary

With an academic audience in mind, during the year 66 (2013: 79) articles were published in peer-reviewed journals and 34 (2013: 31) IFS working papers were produced. Over 196 (2013: 196) papers and talks were given by IFS researchers over the year to both academic and policy audiences.

In addition to our quarterly journal *Fiscal Studies*, which publishes papers on applied economic policy, IFS staff produced 42 (2013: 47) non-academic reports and briefing notes. Researchers published 20 (2013: 20) short policy-related topical briefings ('Observations') online throughout the year. These have been syndicated via RSS and Atom feeds and have been widely used, in both the traditional media and the blogosphere.

During 2014, a new IFS website was launched to make our research more easily navigable and accessible by existing and new audiences. The Institute is increasingly making use of Twitter to publicise its research directly to the public. At the end of 2014, IFS had 12,840 followers (end of 2013: 11,180).

Tax, incomes and labour supply

In February, researchers published a Briefing Note analysing the size and composition of the public sector workforce and how it has changed over the past 50 years. This overview forms the first part of a larger project to consider the differences in the remuneration packages of public and private sector workers, as well as the mobility of workers between sectors and different areas of the country. This Briefing Note had in excess of 13,000 hits in February and March.

The IFS biennial residential conference was held in Cambridge during the first week of September.

The topic was 'Taxing Remuneration: Principles and Practice', considering the different ways in which individual earnings are taxed, according to whether they are derived from employment, self-employment or partnership or as small firm entrepreneurs, and depending upon whether they are taken as cash or benefits or deferred in pensions, share schemes or employee benefit trusts. Senior policymakers, practitioners and academics came together for three days of lively discussion and debate. One delegate commented that this was 'The best tax conference I have attended - on the basis of the subject matter covered, the quality of the speakers, the quality of the attendees, the excellent organisation and the mix of educational content and the real possibility to make a difference to tax policy. My time has never been better spent at a conference. Thank you.' Another said: 'Apart from the great content this was an opportunity to catch up with key policymakers and influencers in terms of the taxation of remuneration - very valuable indeed.'

Firms, productivity and consumer behaviour

IFS researchers used data from a large sample of British shoppers (15,000 to 25,000 households at any one time) to study the changing salt intake across the population over time. We were able to comment on the effectiveness of the government's salt reduction programme by issuing an Observation in August. The work was also presented at a number of academic conferences

and has been written up for journal publication.

IFS organised a conference with the European Tax Policy Forum on 'International Taxation: Base Erosion, Profit Shifting and Distortions to Real Activity'. Presenters included IFS researchers, academics and tax experts from the business community.

Policy in developing countries

IFS has an expanding research programme (the Centre for the Evaluation of Development Policies) looking at public policy in developing countries. In association with the British Academy, IFS held an event as part of the ESRC Festival of Social Science in November about child development and policy interventions, based on research in a range of developing countries. IFS researchers, led by Professor Orazio Attanasio, were joined by Dr Angus Armstrong (Director of Macroeconomic Research, NIESR), Peter Colenso (Executive Director, Children's Investment Fund Foundation), Janet Dullaghan (Head of Commissioning, Peterborough Council) and Carey Oppenheim (Chief Executive, Early Intervention Foundation).

A conference was also held at IFS in December looking at how group lending might help alleviate poverty, using evidence from work in Mongolia. The study was a collaboration between the European Bank for Reconstruction and Development, the Institute for Fiscal Studies and XacBank, and the event was organised in collaboration with Microfinance Club UK.

Financial results

The results for the year are presented in the Statement of Financial Activities on page 16 and show an increase in both income (10.2%) and expenditure (14.6%) compared with 2013.

During the year, the Executive Committee updated its cash holding policy established in 2011. It was decided that the Institute should increase its cash holdings (excluding net project grants received in advance i.e. deferred income less research grants receivable) from three months' to six months' average expenditure. At the end of the year total cash holdings (including fixed term deposits) were £2.73m (£4.59m less net project grants received in advance of £1.86m). This is equivalent to around

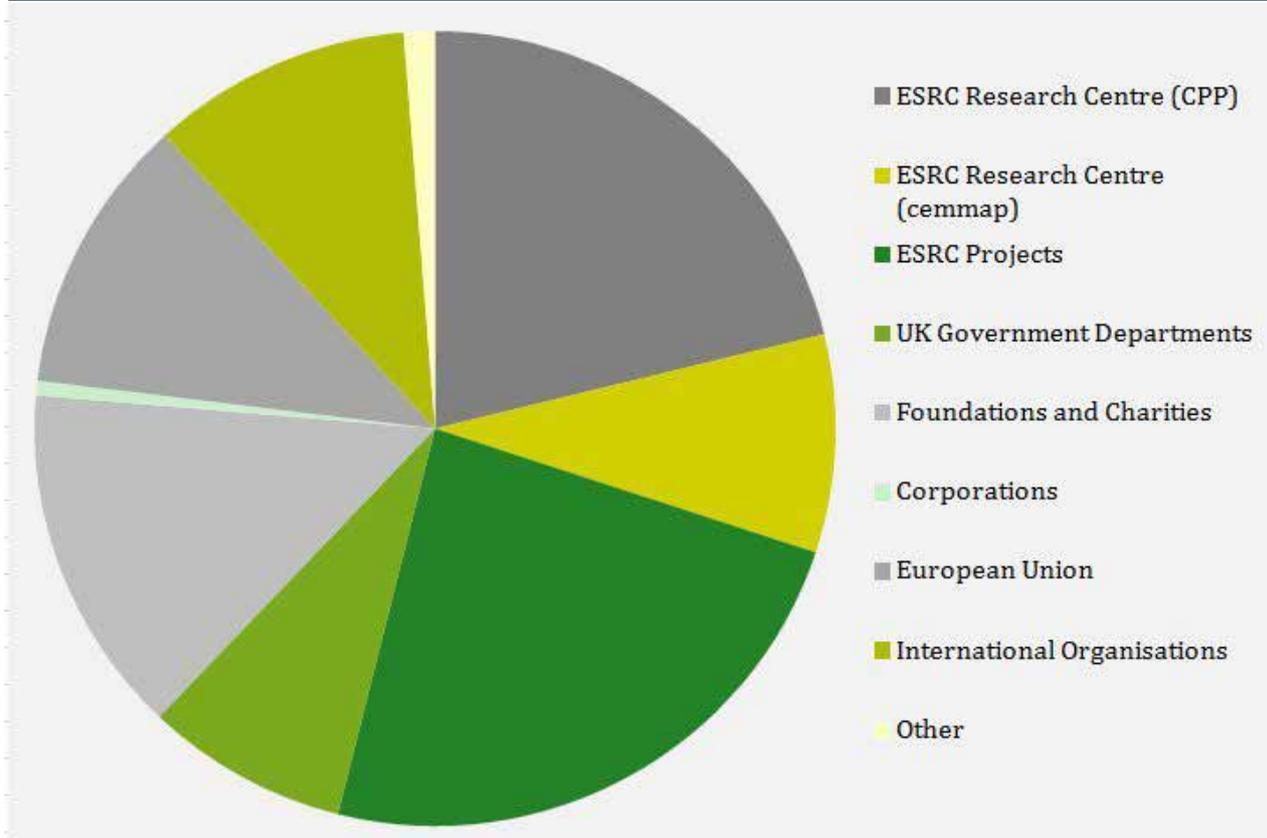
4.5 months of expenditure.

The overall financial policy set for 2014 to maintain reserves at broadly the 2013 level and transfer the overall marginal surplus from membership, conferences and publications to reserves was met.

The Statement of Financial Activities on Page 16 shows that an overall surplus of £70,354 was made in 2014 (£318,058 in 2013) representing investment income of £18,415 (2013: £19,755) and a surplus on operating activities of £51,939 (2013: £286,245).

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.

Sources of research income for 2014



Although 54% was provided by the Economic and Social Research Council (53% in 2013), this funding covers a wide range of projects. With regard to its publishing and mainstream conference activities, the Institute aims to keep prices as low as possible to maximise public access to its findings. All publications are made available free of charge on the website. Conferences run by IFS's Centre for Microdata, Methods and Practice (cemmap) aim to make a moderate surplus, which contributes to the Institute's overhead recovery. Expenditure in these areas includes the relevant proportion of staff costs involved.

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, £1,213,627 was held in a COIF Charities Deposit Fund (2013: £1,208,505) and £500,000 in a CAF Bond held with Principality Building Society (2013: £500,000). This bond matured in June 2015.

Reserves policy

The Reserves Policy is twofold: one, to hold funds for working capital purposes and as a contingency,

should sufficient new funding not emerge or should existing contracts be cancelled; and two, to reflect the net book value of fixed assets.

The General Fund reflects the Institute's net current assets. The target is for the General Fund to be maintained at a level to cover up to six months' expenditure (after adjusting for net grants received in advance). As projected expenditure is forecast to increase in 2015, the Trustees wish to continue to raise modest surpluses so that the General Fund meets this target.

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

Plans for 2015

The following major projects were planned for 2015.

Election analysis: IFS secured funding from the Nuffield Foundation to produce analysis of the election debate. A series of briefing notes were to be published and updates made available on a special election website. Our Green Budget (produced in collaboration with the Institute of Chartered Accountants in England and Wales) in February and Budget analysis in March would also focus on the government's record and on the parties' election proposals.

New ESRC Centre: IFS secured renewed funding from the Economic and Social Research Council for the ESRC Centre for Microeconomic Analysis of Public Policy. The funding will commence in October 2015 and is for five years. The Centre will be directed by Richard Blundell, with co-direction from Orazio Attanasio, James Banks, Ian Crawford, Rachel Griffith and Imran Rasul.

RES conference: IFS researchers had papers accepted to present at the annual conference of the Royal Economic Society, including at special sessions for the 125th anniversary of the *Economic Journal*, currently administered at the Institute.

Conferences: For 2015, academic conferences were planned at IFS on wealth measurement, health spending and social care spending. Papers from the conferences would be published in special issues of our journal, *Fiscal Studies*. To broaden our audience, a number of events were to be organised in partnership with other organisations, including the Chartered Institute of Taxation, the European Tax Policy Forum, the Royal Academy and the Institute for Government.

Impact: IFS has funding from the ESRC over the next five years to increase its impact. This is to be

spent on individual projects and on making our content more accessible - for example, through better data visualisation, streaming and recording events and presentations, and improving the accessibility of our website.

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 Economic and Social Research Council (ESRC) for a large proportion of the Institute's research funds (see Financial Results on page 11). 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 relate 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. Finally, the Institute continues to seek to diversify its funding sources in order to spread the risk.

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).

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

By order of the Executive Committee



*Frances CAIRNCROSS
Chair of the Executive Committee
21 September 2015*

Auditor's report

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

We have audited the financial statements of the Institute for Fiscal Studies for the year ended 31 December 2014 which comprise the Statement of Financial Activities, the Balance Sheet, the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charity'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 charity'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 charity and the charity's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditor

As explained more fully in the Statement of Trustees' Responsibilities, the trustees (who are also the directors of the 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.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the charity's affairs as at 31 December 2014 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Executive Committee Report, which includes the strategic report, for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

Fiona Condron, Senior Statutory Auditor, for and on behalf of BDO LLP, Statutory Auditor

Gatwick, United Kingdom

BDO LLP
Date: *29 September 2015*

Financial reports

Statement of financial activities Year ended 31 December 2014 (incorporating income and expenditure)

	Notes	Restricted	Unrestricted	Total 2014	Total 2013
		£	£	£	£
Incoming resources					
<i>Incoming resources from generated funds</i>					
Voluntary income - legacy		-	-	-	12,058
Investment income		-	18,415	18,415	19,755
<i>Incoming resources from charitable activities</i>					
Research activities		83,828	6,976,426	7,060,254	6,471,191
Membership subscriptions	2	-	103,655	103,655	91,380
Publication sales		-	67,057	67,057	43,889
Conference income		-	103,578	103,578	82,412
Miscellaneous income		-	55,791	55,791	-
Total incoming resources		83,828	7,324,922	7,408,750	6,720,685
Resources expended					
<i>Charitable activities</i>					
Research activities	3	83,828	6,971,360	7,055,188	6,169,731
Membership		-	74,373	74,373	71,321
Publications		-	117,201	117,201	72,872
Conferences		-	61,852	61,852	58,977
Governance Costs	4	-	29,782	29,782	29,726
Total resources expended	5	83,828	7,254,568	7,338,396	6,402,625
Net incoming resources for the year		-	70,354	70,354	318,058
Fund balances brought forward at 1 January 2014		-	1,968,706	1,968,706	1,650,648
Fund balances carried forward at 31 December 2014		-	2,039,060	2,039,060	1,968,706

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

Balance sheet

Year ended 31 December 2014

	Notes	2014		2013	
		£	£	£	£
Fixed assets					
Tangible assets	8		67,119		139,008
Current assets					
Debtors	9	837,334		893,291	
Bank deposits (COIF)		1,213,627		1,208,505	
Fixed term deposits	10	500,000		1,000,000	
Cash at bank and in hand		2,875,281		1,658,936	
		5,426,242		4,760,733	
Creditors					
Amounts falling due within one year	11	3,454,301		2,931,035	
Net current assets			1,971,941		1,829,698
Net assets			2,039,060		1,968,706
Unrestricted funds					
General funds	12		1,971,941		1,829,698
Fixed asset reserve	12		67,119		139,008
			2,039,060		1,968,706

Company registered number: 954616

Registered Charity: 258815

Approved and authorised for issue by the Executive Committee on 21 September 2015.

Frances CAIRNCROSS, Chair of the Executive Committee



Statement of cash flows

Year ended 31 December 2014

	Note	2014	2013
		£	£
Reconciliation of net incoming resources to net cash inflow from operating activities			
Net incoming resources for the year		70,354	318,058
Depreciation		88,012	42,857
Investment income		(18,415)	(19,755)
Decrease/(increase) in debtors		55,957	(129,799)
Decrease in fixed term deposit (unbreakable)		500,000	10,156
Increase in grants received in advance of expenditure		288,467	360,199
Increase in taxation and social security liability		4,615	882
Increase (decrease) in accrued expenses		230,181	454,704
Net cash inflow from operating activities		1,219,171	1,037,302
Cash flow statement			
Net cash inflow from operating activities		1,219,171	1,037,302
Returns on investments and servicing of finance	15	18,415	19,755
Capital expenditure		(16,122)	(39,306)
Increase (decrease) in cash		1,221,464	1,017,752
Cash and cash equivalents at the beginning of the year			
Bank deposits		1,208,505	1,002,022
Fixed term deposits		500,000	-
Cash at bank and in hand		1,658,936	1,347,668
		3,367,441	2,349,690
Cash and cash equivalents at the end of the year			
Bank deposits		1,213,627	1,208,505
Fixed term deposits		500,000	500,000
Cash at bank and in hand		2,875,281	1,658,936
		4,588,908	3,367,441

Notes forming part of the financial statements, year ended 31 December 2014: Accounting policies

The accounts have been prepared in accordance with applicable accounting standards. They have also been prepared in accordance with the recommendations contained in the Statement of Recommended Practice "Accounting and Reporting by Charities" issued in March 2005, and the requirements of the Companies Act 2006.

Total incoming resources including interest amounted to £7,408,750 (2013: £6,720,685).

(a) Accounting convention

The accounts have been prepared under the historical cost convention.

(b) Tangible fixed assets and depreciation

All tangible fixed assets costing more than £250 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 had determined that all costs relating to 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.

(c) Subscriptions and donations

These are credited to the Statement of Financial Activities to the year to the extent that they are received by the time the accounts are prepared.

(d) Publication sales

Sales of books and publications are credited to the Statement of Financial Activities in respect of sales for the year. No value is placed on book stocks.

(e) Research activities

The Institute is usually legally entitled to income from research contracts in stages over the course of each project, which approximates to when related expenditure was expected to be incurred. Accordingly, all 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 relevant expenditure. Any income received in advance of expenditure is treated as deferred income. Where funds are clearly specified

as restricted grants by the donor these are accounted for as restricted funding in line with the requirements of the Statement of Recommended Practice

(f) Allocation of expenses

Direct and indirect expenses are included when incurred. The majority of expenses are directly attributable to specific activities. Indirect overhead costs (eg premises and administration) are allocated pro-rata to the value of each activity, as shown in note 5.

(g) Governance costs

Governance costs are those incurred in connection with the management of the charity's assets, organisational administration and compliance with constitutional and statutory requirements.

(h) Pension costs

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

(i) Operating leases

Leasing charges in respect of operating leases are charged to the Statement of Financial Activities as they are incurred.

j) 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 2014. Transactions in foreign currencies are calculated at the exchange rate ruling at the date of the transaction and the Institute-wide foreign exchange loss made during the year has been deducted from the relevant research activity in Incoming Resources from Charitable Activities.

(k) Restricted Funds

Restricted funds are to be used for specified purposes as laid down by the donor. Expenditure which meets these criteria is identified to the fund, together with a fair allocation of overheads and support costs.

Notes forming part of the financial statements, year ended 31 December 2014

2. Membership subscriptions	2014	2013
	£	£
Corporate	75,440	63,350
Partnerships	15,850	15,850
Individuals	12,365	12,180
	103,655	91,380

3. Expenditure on research activities		
Staff costs	4,707,991	4,324,899
Direct project costs	1,432,677	1,088,374
Premises	549,795	418,613
IT and office costs	230,102	239,102
Insurance and professional fees	93,772	59,188
Public relations and events	12,024	11,702
Miscellaneous	28,827	27,854
	7,055,188	6,169,731

"Direct project costs" includes payments to outside bodies which 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. Such payments are reflected in the Institute's revenues at cost and, depending on the types of project undertaken, may vary significantly from year to year.

4. Governance costs		
Staff costs	16,441	16,873
Audit remuneration	8,950	8,600
Trustee indemnity insurance, Companies House fees, certificates	3,651	3,388
Meeting costs and Council Members' travel costs	740	865
	29,782	29,726

Members of the Executive Committee received no remuneration in respect of their duties as members of the Executive Committee but are able to claim travel expenses in furtherance of their duties. In 2014 no Member claimed any travel expenses (no expenses claimed in 2013).

Notes forming part of the financial statements, year ended 31 December 2014

5. Total resources expended				2014	2013
	Staff costs	Depreciation	Other	Total	Total
	£	£	£	£	£
Research activities	4,707,991	84,765	2,262,432	7,055,188	6,169,729
Publications	58,909	1,108	14,356	74,373	71,321
Conferences	59,579	792	56,830	117,201	72,872
Membership	55,536	1,021	5,295	61,852	58,977
Governance	16,441	326	13,015	29,782	29,726
	4,898,456	88,012	2,351,928	7,338,396	6,402,625

6. Staff costs			2014	2013
Wages and salaries			3,033,987	2,738,278
Social security costs			312,468	282,721
Pension costs (see note 14)			401,296	363,992
			3,747,751	3,384,991
Staff from universities			1,051,335	1,019,313
Research Fellows, Research Associates, Graduate Scholars and other associated research staff costs			99,370	86,492
			4,898,456	4,490,796

IFS has contracts in place with several universities/institutions for the provision of an agreed proportion of the working time (typically 10-50%) of 24 named, highly skilled individuals (2013: 24) to carry out specific research duties at IFS in their areas of academic excellence.

Staff costs have been allocated to expenditure headings where they can be specifically identified as in note 5. The average number of employees (FTE) including short-term research assistants, analysed by function, is shown on the right.

The numbers of employees whose emoluments (excluding pension contributions) were in excess of £60,000 are shown in the ranges to the right.

In addition, pension contributions were paid by the Institute on behalf of these nine employees. The total sum of these contributions was £101,918 (2013: £84,435 for four employees).

	2014	2013
Research activities	56.57	50.49
Publications	1.48	1.24
Conferences	1.58	1.30
Membership	0.46	0.53
	60.09	53.55

	2014	2013
£60,001 - 70,000	6	3
£70,001 - 80,000	-	-
£80,001 - 90,000	-	-
£90,001 - 100,000	2	-
£100,001 - 110,000	-	-
£110,001 - 120,000	-	1
£120,001 - 130,000	-	-
£130,001 - 140,000	1	-

Notes forming part of the financial statements, year ended 31 December 2014

7. Net incoming resources for the year	2014	2013
	£	£
This is stated after charging:		
Depreciation	88,012	42,857
Auditor's remuneration		
audit	8,950	8,600
other services	589	1,500
Operating lease rentals		
property	342,205	305,000

8. Tangible fixed assets	Fixtures and improvements to short leasehold premises	Office equipment	Total
	£	£	£
Cost			
At 1 January 2014	721,690	488,688	1,210,378
Additions	432	15,690	16,122
Disposals and assets no longer in use	-	(12,252)	(12,252)
At 31 December 2014	722,122	492,126	1,214,248
Depreciation			
At 1 January 2014	714,093	357,276	1,071,369
Charge for the year	6,023	81,989	88,012
Disposals and assets no longer in use	0	(12,252)	(12,252)
At 31 December 2014	720,116	427,013	1,147,129

Net book amounts

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

At 31 December 2014	2,006	65,113	67,119
At 31 December 2013	7,597	131,412	139,008

9 Debtors	2014	2013
	£	£
Research grants receivable (note 1e)	693,907	733,234
Trade debtors	48,504	52,583
Other debtors	16,354	21,698
Pre-payments	78,569	85,776
	837,334	893,291

Notes forming part of the financial statements, year ended 31 December 2014

10. Fixed term deposits

IFS holds one fixed term cash deposit at 31 December 2014 (2 at 31 December 2013). £500,000 is deposited in a CAF 12 Month Bond, managed by Principality Building Society, which matures on 28 July 2015.

11. Creditors	2014	2013
Amounts falling due within one year	£	£
Taxation and social security	95,634	91,019
Accrued expenses	801,458	571,277
	897,092	662,294
Deferred income		
Balance at 1 January	2,268,742	1,908,543
Amount released to incoming resources	(1,787,746)	(1,754,004)
Amount deferred in the year	2,076,213	2,114,203
Balance at 31 December	2,557,209	2,268,742

12. Funds	Restricted funds	Unrestricted funds	Designated funds: fixed asset reserve	Total
£				
Reserves at 1 January 2014	-	1,829,698	139,008	1,968,706
Incoming resources	83,828	7,324,922	-	7,408,750
Outgoing resources	(83,828)	(7,254,568)	-	(7,338,396)
Transfers between funds	-	71,889	(71,889)	-
Reserves at 31 December 2014	-	1,971,941	67,119	2,039,060

Restricted funds represent support received from the Nuffield Trust, from the Trust for London, and from PEDL under three performance related grant agreements one of which was completed during the year. In total £83,828 was spent on these three grants with £56,215 deferred to future periods in respect of the remaining two projects.

Unrestricted funds are available for use at the discretion of the Executive Committee in furtherance of the general objects of the charity and which have not been designated for other purposes.

Designated funds comprise unrestricted funds that have been set aside by the Executive Committee for particular purposes. The fixed asset reserve represents the net book value of the tangible fixed assets as at the balance sheet date.

The aim and use of each fund is set out in the Reserve Policy Section on page 12 of the Report of the Executive Committee.

Notes forming part of the financial statements, year ended 31 December 2014

13. Operating lease commitments

The operating lease for the Institute's offices expired in June 2014, but the Institute continues in occupation and Heads of Terms for a new lease running to 24th June 2025 have been agreed.

	2014	2013
	£	£
One year	-	143,726
Two to five years	-	-
Over five years	-	-

14. Pension scheme

The total pension cost to the Institute for the contributions to employees pension shares under group personal pension plans with Scottish Widows and Phoenix Life was £330,871 (2013: £331,258). In addition five members of staff (2013: four) participate in other personal pension schemes of their own choice, to which the Institute contributed £70,425 (2013: £32,734).

	2014	2013
Scottish Widows/Phoenix Life	330,871	331,258
Other	70,425	32,734
Total	401,296	363,992

15. Notes to the cash flow statement

	2014	2013
Interest from investments	18,415	19,755

16. Analysis of net assets between funds

£	Unrestricted funds	Designated funds	Restricted funds	Total funds
Tangible fixed assets	-	67,119	-	67,119
Current assets	5,370,027	-	56,215	5,426,242
Current liabilities	(3,398,086)	-	(56,215)	(3,454,301)
Net assets at 31 December 2014	1,971,941	67,119	-	2,039,060

17. Related party transactions

Lorraine Dearden, a member of Paul Johnson's close family, is paid as an IFS Research Fellow at the standard rate of £5,000 (2013: £5,000). Her initial appointment pre-dates his term as Director and is reviewed annually by the Research Director. In addition IFS paid her employer, the Institute of Education, a contribution of £65,813 (2013: £65,086) towards her full employment costs to carry out duties at IFS. The buyout from her university pre-dates Paul Johnson's appointment as Director and was agreed by his predecessor.

IFS Executive Committee Member, Mark Robson, was appointed to the ESRC Council on April 2015. The award of all funding from the ESRC for 2014 pre-dated his appointment.