

**THE INSTITUTE FOR FISCAL STUDIES**  
**(A Company Limited by Guarantee not having**  
**a Share Capital and a Registered Charity)**

**EXECUTIVE COMMITTEE REPORT AND**  
**FINANCIAL STATEMENTS**

**YEAR ENDED 31 DECEMBER 2005**

**THE INSTITUTE FOR FISCAL STUDIES**  
**(A Company Limited by Guarantee not having**  
**a Share Capital and a Registered Charity)**

**Company Number: 954616**

**EXECUTIVE COMMITTEE REPORT AND**  
**FINANCIAL STATEMENTS**

**YEAR ENDED 31 DECEMBER 2005**

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**EXECUTIVE COMMITTEE REPORT AND FINANCIAL STATEMENTS**  
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**CONTENTS**

COMPANY INFORMATION	1
REPORT OF THE EXECUTIVE COMMITTEE	2
STATEMENT OF RESPONSIBILITIES OF THE EXECUTIVE COMMITTEE	5
AUDITORS' REPORT	6
STATEMENT OF FINANCIAL ACTIVITIES	7
BALANCE SHEET	8
NOTES TO THE FINANCIAL STATEMENTS	9

**THE INSTITUTE FOR FISCAL STUDIES**  
**(A Company Limited by Guarantee not having a Share Capital)**  
**COMPANY INFORMATION**

**COMPANY REGISTERED OFFICE:** 7 Ridgmount Street  
London  
WC1E 7AE

**COMPANY REGISTERED NUMBER:** 954616

**REGISTERED CHARITY NUMBER:** 258815

**COMPANY BANKERS:** National Westminster Bank plc  
City of London Office  
1 Princes Street  
London  
EC2R 8PA

COIF Charities Deposit Fund  
CCLA Investment Management Ltd  
80 Cheapside  
London  
EC2V 6DZ

**AUDITORS:** PKF (UK) LLP  
Farringdon Place  
20 Farringdon Road  
London  
EC1M 3AP

**SOLICITORS:** Penningtons Solicitors LLP  
Bucklersbury House  
83 Cannon Street  
London  
EC4N 8PE

**THE INSTITUTE FOR FISCAL STUDIES**  
**(A Company Limited by Guarantee not having a Share Capital)**  
**(Company Registered Number: 954616)**  
**Registered Charity: 258815**  
**7 Ridgmount Street, London, WC1E 7AE**  
**REPORT OF THE EXECUTIVE COMMITTEE**  
**YEAR ENDED 31 DECEMBER 2005**

The Executive Committee presents the report and financial statements of the Institute for Fiscal Studies for the year ended 31 December 2005.

## **Structure, Governance and Management**

### ***CONSTITUTION***

The Institute for Fiscal Studies 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.

### ***MEMBERS OF THE EXECUTIVE COMMITTEE***

The Executive Committee, which met four times during the year, is established by the IFS Council. The members of the Council are elected by Members of the Institute in General Meeting. There were no changes during the year to the Committee membership:

Lord Adebawale	W J Hopper
J F Chown	J J Maynes
R S Collier (Honorary Company Secretary)	I Menzies-Conacher
N C Dee (Chairman of the Executive Committee)	A Redston
Prof J Freedman	N O Taube
K Green	Prof Sir John Vickers (President of IFS)

### ***INDUCTION AND TRAINING OF TRUSTEES***

During 2004 a programme of training and induction of Trustees had been developed and approved by the Executive Committee. Three of the new Trustees who joined in 2004 undertook the induction session and training of all Trustees is on-going. A major feature of keeping Trustees up to date with IFS research is covered by a rolling programme of research presentations made at each meeting of the Executive Committee.

### ***ORGANISATION STRUCTURE OF THE INSTITUTE AND DECISION MAKING PROCESS***

The operational responsibilities of the Institute are delegated to the Director of the Institute via a "Scheme of Delegation" who in turn delegates various duties to senior staff via an "Internal Scheme of Delegation". During the year there were no changes to the Principal Officers.

Director	R Chote
Executive Administrator	R H Markless

The Institute employs directly some forty 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 employs a small number of 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. A regional grouping of IFS members in NW England has in the past met regularly to discuss matters of mutual interest and occasionally sponsor related activities in that area but in 2005 held no meetings. The Branch is to be wound up during 2006 and all funds transferred to the Institute.

### ***RISKS AND INTERNAL CONTROL***

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.

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**REPORT OF THE EXECUTIVE COMMITTEE**  
**YEAR ENDED 31 DECEMBER 2005**

## **Objectives and Activities**

### ***OBJECTS OF THE INSTITUTE***

To advance education for the benefit of the public by promoting on a non-political basis the study and discussion of and the exchange and dissemination of information and knowledge concerning national economic and social effects and influences of existing taxes and proposed changes in fiscal systems.

### ***STRATEGIC DEVELOPMENT***

During the year the Executive Committee finalised the strategic framework for IFS, which was previously discussed by the Council in November 2004. 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 version agreed in April 2005 can be found on the IFS website at <http://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 web site and in the media.

## **Achievements and Performance**

### ***WHAT HAS THE INSTITUTE ACHIEVED DURING THE YEAR?***

A number of research projects have been completed and in addition to providing final reports to funders the Institute has itself published 4 reports, 25 working papers, 18 on-line briefing notes and a quarterly journal *Fiscal Studies*. Publication has also taken place in outside journals and as contributions to many books. Much of this work has been widely reported in the media and referred to frequently in Parliament. The Institute also ran 20 conferences and lectures during the year and staff have participated in numerous conferences organised by other organisations. A fuller account of the Institute's activities can be found on its web site ([www.ifs.org.uk](http://www.ifs.org.uk)) where an increasing amount of IFS dissemination takes place.

### ***IMPORTANT EVENTS DURING 2005***

During 2005 the Institute provided independent analysis during the General Election, organised an IFS Residential Conference entitled "Give and Take: Family Policy and the Law", held the first Green Budget supported by Morgan Stanley and was involved in organising the 9th World Congress of the Econometric Society. During the year IFS was named 'Think Tank of the Year 2005' by *Prospect Magazine*. At the end of the year we were delighted to hear that our Research Director Prof Richard Blundell was awarded a CBE in the New Year Honours List.

## **Financial Review**

### ***FINANCIAL RESULTS FOR THE YEAR***

The results for the year are as shown in the Statement of Financial Activities on page 7 and show a modest increase in turnover due almost entirely to an increase in direct project costs relating to the distribution of funds through an EU funded network.

The financial policy laid down by the Executive Committee in 2005 was that the Institute should aim to break even at the operating level after any contributions to reserves. 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.

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 43% was provided by the Economic and Social Research Council (42% in 2004) covering a range of projects. With regard to its publishing and mainstream conference activities the Institute aims to break even, whilst keeping prices as low as possible to maximise public access to our findings. Conferences run by our Centre for Microdata Methods and Practice (*cemmap*) aim to make a moderate surplus which contributes to the overhead recovery of the Centre. Expenditure in these areas includes the relevant proportion of staff costs involved.

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**REPORT OF THE EXECUTIVE COMMITTEE**  
**YEAR ENDED 31 DECEMBER 2005**

***RESERVES POLICY***

With a view to ensuring that an adequate level of working capital is maintained, the Executive Committee's objective is to reach a position where the lower of either its cash reserves (as represented by all liquid assets) or book reserves (as represented by total fund balances) represents at least 20% of total annual expenditure. The Balance Sheet on page 8 indicates that whilst the latter of these objectives has been met cash reserves were still significantly below that level.

In 2001 the Committee decided that in order to build the cash reserves it would amend its financial policy to require the Institute to aim to make a surplus, which would be transferred to reserves and in 2005 the surplus was set at 2% of expenditure. This policy is subject to review annually. The Statement of Financial Activities on page 7 shows that a surplus of £102,622 was made in 2005 representing investment income of £25,021 and a £77,601 surplus, which represents 2.06% of expenditure.

## **Plans for the Future Period**

***FUTURE DEVELOPMENTS***

The Executive Committee plans to develop the activities of the Institute in furtherance of research into fiscal policy to include matters of international as well as of United Kingdom interest. Of particular note is the planned report to be produced under the direction of Prof Sir James Mirrlees to review the state of the British tax system 30 years after the original publication of the Meade Report in 1978.

## **Appointment of Auditors**

On 23 May 2005, PKF transferred their business to PKF (UK) LLP, a limited liability partnership. Under section 26(5) of the Companies Act 1989, the company consented to extend the audit appointment to PKF (UK) LLP from 23 May 2005. Accordingly, the audit report has been signed in the name of PKF (UK) LLP and a resolution for the reappointment of PKF (UK) LLP will be proposed at the forthcoming annual general meeting.

**THE INSTITUTE FOR FISCAL STUDIES**  
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**REPORT OF THE EXECUTIVE COMMITTEE**  
**YEAR ENDED 31 DECEMBER 2005**

**STATEMENT OF RESPONSIBILITIES OF THE EXECUTIVE COMMITTEE**

The Executive Committee (as Directors of the Company) are responsible for preparing the Report of the Executive Committee and the Financial Statements in accordance with applicable law and United Kingdom generally accepted accounting practice.

Company law requires the Executive Committee (as the directors of the company) to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Institute and of the surplus or deficit of the Institute for that period. In preparing those financial statements, the Executive Committee is required to:

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

The Executive Committee is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Institute and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Institute and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The maintenance and integrity of The Institute for Fiscal Studies' web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

The Executive Committee is responsible for ensuring that its report is prepared in accordance with Company and Charity law in the United Kingdom.

BY ORDER OF THE EXECUTIVE COMMITTEE,



N C DEE

(Chairman of the Executive Committee)  
24 April 2006

**THE INSTITUTE FOR FISCAL STUDIES**  
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**AUDITORS' 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 2005 which comprise the Statement of Financial Activities, the Balance Sheet and the related notes. The financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' 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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of trustees and auditors**

The responsibilities of the trustees (who are also the directors of the company for the purposes of company law) for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom accounting standards ('United Kingdom Generally Accepted Accounting Practice') are set out in the statement of trustees' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Report of the Executive Committee is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Report of the Executive Committee and consider the implications for our report if we become aware of any apparent misstatements within it.

**Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Opinion**

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the charitable company's affairs as at 31 December 2005 and of its incoming resources and resources expended, including its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

*PKF (UK) LLP*

London, UK  
28<sup>th</sup> April 2006

**PKF (UK) LLP**  
Registered Auditors

**THE INSTITUTE FOR FISCAL STUDIES**  
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**STATEMENT OF FINANCIAL ACTIVITIES**  
**YEAR ENDED 31 DECEMBER 2005 (incorporating income and expenditure)**

	<u>Notes</u>	<u>2005</u> £	<u>2004</u> £
<b>INCOMING RESOURCES</b>			
<b>Incoming Resources from Generated Funds</b>			
Investment Income		25,021	20,748
<b>Incoming resources from charitable activities</b>			
Membership subscriptions	2	71,453	77,062
Research contract grants		3,627,957	3,272,759
Publication sales		28,447	53,578
Conference income		113,371	124,341
Branch surplus	7	669	220
		<hr/>	<hr/>
<b>TOTAL INCOMING RESOURCES</b>		<b>3,866,918</b>	<b>3,548,708</b>
		<hr/>	<hr/>
<b>RESOURCES EXPENDED</b>			
<b>Charitable Activities</b>			
Research activities	3	3,534,749	3,223,599
Publications		41,953	61,505
Conferences		91,399	86,604
Membership		74,696	65,493
<b>Governance Costs</b>	4	<b>21,499</b>	19,823
		<hr/>	<hr/>
<b>TOTAL RESOURCES EXPENDED</b>	5	<b>3,764,296</b>	<b>3,457,024</b>
		<hr/>	<hr/>
<b>NET INCOMING RESOURCES FOR THE YEAR</b>		<b>102,622</b>	<b>91,684</b>
		<hr/>	<hr/>
<b>FUND BALANCES BROUGHT FORWARD AT 1 JANUARY 2005</b>		<b>896,889</b>	<b>805,205</b>
		<hr/>	<hr/>
<b>FUND BALANCES CARRIED FORWARD AT 31 DECEMBER 2005</b>	11	<b>999,511</b>	<b>896,889</b>
		<hr/> <hr/>	<hr/> <hr/>

There were no other recognised gains or losses other than the net incoming resources for the year.

All amounts relate to continuing operations.

All figures for 2004 have been restated in accordance with SORP 2005.

**THE INSTITUTE FOR FISCAL STUDIES**  
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**BALANCE SHEET**

<b>FIXED ASSETS</b>	<u>Notes</u>	<u>2005</u>	<u>2004</u>
		£	£
Tangible assets	8	<b>160,847</b>	137,016
 <b>CURRENT ASSETS</b>			
Debtors	9	<b>1,053,537</b>	934,674
Bank deposits		<b>398,821</b>	317,568
Cash at bank and in hand		<b>51,134</b>	18,830
		<hr/>	<hr/>
		<b>1,503,492</b>	1,271,072
 <b>CREDITORS</b>			
Amounts falling due within one year	10	<b>664,828</b>	511,199
		<hr/>	<hr/>
<b>NET CURRENT ASSETS</b>		<b>838,664</b>	759,873
		<hr/>	<hr/>
<b>NET ASSETS</b>		<b>999,511</b>	896,889
		<hr/> <hr/>	<hr/> <hr/>
 <b>UNRESTRICTED FUNDS</b>			
General Funds	11	<b>999,511</b>	896,889
		<hr/> <hr/>	<hr/> <hr/>

Approved by the Executive Committee on 24 April 2006

*John Vickers*

.....  
PROF SIR JOHN VICKERS

Members of the Executive Committee

*N. C. Dee*

.....  
N. C. DEE

**THE INSTITUTE FOR FISCAL STUDIES**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2005**

**1 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" (revised March 2005). Where appropriate comparative figures have been restated.

Total incoming resources including interest amounted to **£3,866,918** (2004: £3,548,708). The accounts include the surplus and assets for IFS (North West).

The principal accounting policies applied in the preparation of the accounts are as follows:-

**(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 prior to 2004 should be written off to the year in which the lease existing at the time expired (23 June 2004) and refurbishment after that date be depreciated to the end of the year in which the new lease expires (2009). All other assets other than furniture are written off over three years with furniture being written off over five 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 contract grants**

The Institute is usually legally entitled to income from research contract grants in stages over the course of each project, which approximates to when related expenditure was expected to be incurred. Accordingly, all research contract grant 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.

**(f) Allocation of expenses**

Direct and indirect expenses are included when incurred. The majority of expenses are directly attributable to specific activities

**(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**

Transactions in foreign currencies are calculated at the exchange rate ruling at the date of the transaction and the exchange gain or loss is included in the category of income or expenditure to which it relates. IFS opened a Euro account in 2005 and the value of that balance at the end of the year was based on the exchange rate at that time.

**THE INSTITUTE FOR FISCAL STUDIES**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2005**

**2 MEMBERSHIP SUBSCRIPTIONS**

	<u>2005</u>	<u>2004</u>
	£	£
Corporate	44,544	48,800
Individuals	12,559	12,812
Partnerships	14,350	15,450
	71,453	77,062
	71,453	77,062

**3 EXPENDITURE ON RESEARCH ACTIVITIES**

	<u>2005</u>	<u>2004</u>
	£	£
Staff costs	2,361,025	2,381,767
Direct Project costs	654,401	271,704
Premises	323,949	351,578
IT Support and Office Costs	131,601	160,963
Insurance and Professional Fees	35,948	38,132
Public relations and events	14,956	8,723
Irrecoverable VAT	1,785	391
Miscellaneous	11,084	10,341
	3,534,749	3,223,599
	3,534,749	3,223,599

During the year **£4,450** (2004 £NIL) was paid to the auditors for other services and is included in “Insurance and Professional Fees” above.

“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. During 2005 IFS was awarded a contract by the European Commission as the lead body and which involved the onward transmission of £267,382 to five other participating organisations.

**4 GOVERNANCE COSTS**

Staff costs	10,913	10,663
Audit fee	6,500	6,250
Trustee indemnity insurance	2,048	2,048
Meeting costs and trustees’ travel costs	2,038	865
	21,499	19,826
	21,499	19,826

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 2005 one Member claimed **£134** in expenses (2004: one member claimed £21).

**RELATED PARTY TRANSACTIONS**

A member of the close family of one Executive Committee Member, Anne Redston, has a controlling interest in the company Seven Crosses Limited. This company received **£10,943** (2004: £23,229) for research services during the year. The fees charged are on an arms length basis and reflect the fees normally charged for this service in the external market place. Anne Redston had no involvement in the setting up, offering or acceptance of the engagement or in delivery of the service.

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**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2005**

**5 TOTAL RESOURCES EXPENDED**

	Staff costs £	Depreciation £	Other £	Total <u>2005</u> £	Total <u>2004</u> £
Research activities	2,361,025	63,970	1,109,754	3,534,749	3,223,599
Publications	32,067	865	9,021	41,953	61,505
Conferences	34,891	940	55,568	91,399	86,604
Membership	62,639	1,689	10,368	74,696	65,493
Governance	10,913	-	10,586	21,499	19,823
	<u>2,501,535</u>	<u>67,464</u>	<u>1,195,297</u>	<u>3,764,296</u>	<u>3,457,024</u>

**6 STAFF COSTS**

	<u>2005</u> £	<u>2004</u> £
Staff costs:		
Wages and salaries	1,478,322	1,490,377
Social security costs	162,120	152,295
Pension costs (see note 13)	215,531	219,169
	<u>1,855,973</u>	<u>1,861,841</u>
Staff from universities and government Research Fellows and Research Associates, Graduate Scholars and other associated research staff costs	363,667	402,395
	<u>281,895</u>	<u>257,892</u>
	<u>2,501,535</u>	<u>2,522,128</u>

Staff costs have been allocated to expenditure headings where they can be specifically identified as in note 5. The average number of employees analysed by function, was:

	<u>2005</u>	<u>2004</u>
Research activities	40	40
Publications	1	1
Conferences	1	1
Membership	1	1
	<u>43</u>	<u>43</u>

The emoluments of the employees (excluding pension contributions) fell in the following ranges in excess of £60,000.

	Number of employees	
	<u>2005</u>	<u>2004</u>
£60,001 - 70,000	-	1
£70,000 - 80,000	1	1
£80,000 - 90,000	-	-
£90,000 - 100,000	1	1
	<u>2</u>	<u>3</u>

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**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2005**

**7 BRANCH SURPLUS**

The Institute for Fiscal Studies (North West) is a branch of the main charity. As indicated in the Report of the Executive Committee it held no events during 2005 and is to be wound up in 2006. The branch transactions are not material to the main charity's accounts and in 2005 the only income received was in respect of interest:

	<u>2005</u>	<u>2004</u>
	£	£
Branch meetings (deficit)	-	(372)
Interest received	669	592
	<hr/>	<hr/>
Surplus for the year	669	220
	<hr/>	<hr/>
Cash on deposit	26,195	25,851
	<hr/>	<hr/>

**8 TANGIBLE FIXED ASSETS**

	<b>Fixtures and improvements to short leasehold premises</b>	<b>Office equipment</b>	<b>Total</b>
	£	£	£
<b>Cost</b>			
At 1 January 2005	596,810	248,257	845,067
Additions	36,118	55,179	91,297
Disposals	-	(51,070)	(51,070)
	<hr/>	<hr/>	<hr/>
At 31 December 2005	632,928	252,366	885,294
	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>			
At 1 January 2005	539,743	168,308	708,051
Charge for the year	18,301	49,163	67,464
Disposals and assets no longer in use	(-)	(51,068)	(51,068)
	<hr/>	<hr/>	<hr/>
At 31 December 2005	558,044	166,403	724,447
	<hr/>	<hr/>	<hr/>
<b>Net book amounts</b>			
At 31 December 2005	74,884	85,963	160,847
	<hr/>	<hr/>	<hr/>
At 31 December 2004	57,067	79,949	137,016
	<hr/>	<hr/>	<hr/>

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

**THE INSTITUTE FOR FISCAL STUDIES**  
**(A Company Limited by Guarantee not having a Share Capital)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2005**

<b>9</b>	<b>DEBTORS</b>	<u><b>2005</b></u> £	<u><b>2004</b></u> £
	Research grants receivable (note 1e)	991,959	886,065
	Prepayments and accrued income	61,578	48,609
		<hr/>	<hr/>
		<b>1,053,537</b>	934,674
		<hr/> <hr/>	<hr/> <hr/>

<b>10</b>	<b>CREDITORS</b>	<u><b>2005</b></u> £	<u><b>2004</b></u> £
	<b>Amounts falling due within one year</b>		
	Grants received in advance of expenditure (note 1e)	358,208	217,687
	Taxation and social security	52,303	54,249
	Accrued expenses	254,317	239,263
		<hr/>	<hr/>
		<b>664,828</b>	511,199
		<hr/> <hr/>	<hr/> <hr/>

<b>11</b>	<b>UNRESTRICTED FUNDS</b>		<b>Accumulated</b> <b>Reserve</b> £
	At 1 January 2005		<b>896,889</b>
	Net incoming resources		<b>102,622</b>
			<hr/>
	Balance at 31 December 2005		<b>999,511</b>
			<hr/> <hr/>

**12 OPERATING LEASE COMMITMENTS**

At the end of the year the Institute had operating lease commitments in respect of buildings running to 23 June 2009 to pay during the following year as follows:

	<u><b>2005</b></u> £	<u><b>2004</b></u> £
Contracts expiring:		
After one year but less than five years	245,000	245,000
	<hr/>	<hr/>
	<b>245,000</b>	245,000
	<hr/> <hr/>	<hr/> <hr/>

**13 PENSION SCHEME**

The total pension cost to the Institute for the contributions to employees pension shares under group personal pension plans with Scottish Mutual and Scottish Widows was **£209,747** (2004: £210,519). In addition one member of staff participates in another personal pension scheme, to which the Institute contributed **£5,784** (2004: three staff with contributions of £8,650).