

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 2000

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 2000

PKF
Chartered Accountants

THE INSTITUTE FOR FISCAL STUDIES
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EXECUTIVE COMMITTEE REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2000

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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

AUDITORS: PKF
New Garden House
78 Hatton Garden
London
EC1N 8JA

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 2000

MEMBERS OF THE EXECUTIVE COMMITTEE

G Aaronson QC	W J Hopper
J F Avery Jones, CBE	Prof. M King (President of the Institute)
R C Buist	J J Maynes
J F Chown	M H Robson
R S Collier (Honorary Company Secretary)	A Redston
N Dee	N O Taube
K Etherington (Chairman of the Executive Committee)	Prof. J Tiley

PRINCIPAL OFFICERS

Director	A W Dilnot, CBE
Executive Administrator	R H Markless

The members of the Executive Committee present their report and the financial statements for the year ended 31 December 2000.

WHAT ARE THE AIMS OF THE INSTITUTE?

The Institute is incorporated as a Company Limited by Guarantee and is a registered charity. It is established 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".

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.

HOW IS THE INSTITUTE ORGANISED?

The Institute employs directly some thirty 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 employs a small number of senior academic staff seconded from 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 meet regularly to discuss matters of mutual interest and occasionally sponsor related activities in that area.

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 3 reports, 22 working papers, 9 on-line briefing notes and a quarterly journal. 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 15 conferences 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) where an increasing amount of IFS dissemination takes place.

IMPORTANT EVENTS DURING 2000

2000 was a year in which the IFS secured the renewal of its funding from the ESRC for the Research Centre based at IFS for a further five years until 2006 and the approval of substantial funds for a Centre for Quantitative Research Methods from The Leverhulme Trust over a eight-year period.

The Executive Committee was particularly delighted to hear that IFS Director Andrew Dilnot was made a CBE in the Queen's Birthday Honours List and he is warmly congratulated for this deserved honour.

THE INSTITUTE FOR FISCAL STUDIES
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REPORT OF THE EXECUTIVE COMMITTEE
YEAR ENDED 31 DECEMBER 2000

FINANCIAL RESULTS FOR THE YEAR

The results for the year are as shown in the Statement of Financial Activities on page 6. The current financial policy laid down by the Executive Committee is that the Institute should aim to break even at the operating level and to allow reserves to increase primarily as a result of any income earned from deposits. 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. Some 35% of income is provided by the funding of the ESRC (Economic and Social Research Council) Centre for Microeconomic Analysis of Fiscal Policy which has now been extended to September 2006. With regard to its publishing and conference activities the Institute aims to break even, whilst keeping prices as low as possible to maximise public access to our findings. Expenditure in these two areas includes the relevant proportion of staff costs involved.

RESERVES POLICY

With a view to ensuring 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 7 indicates that whilst the latter of these objectives has been met cash reserves were significantly lower than at the end of 1999. This reflected the fact that as reported last year cash reserves were unusually high at the end of the year as the Institute was awaiting a number of high value invoices for expenditure. Not only were many of these invoices paid during 2000 but there were delays in receiving some substantial grants at year end which eventually were received at the beginning of February.

RISKS AND INTERNAL CONTROL

The Executive Committee have 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 commenced a review, intended to be ongoing, of the major financial and operational risks facing the Institute. It will continue 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.

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. The increased demand for IFS work appears to be such that the Institute is outgrowing its current accommodation and that further space will have to be found in the near future.

AUDITORS

Pannell Kerr Forster changed its name to PKF on 1 November 2000 and has signed its audit report in its new name. PKF is eligible for reappointment and a resolution to reappoint them will be put to the Annual General Meeting.

THE INSTITUTE FOR FISCAL STUDIES
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REPORT OF THE EXECUTIVE COMMITTEE
YEAR ENDED 31 DECEMBER 2000

STATEMENT OF RESPONSIBILITIES OF THE EXECUTIVE COMMITTEE

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 are 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.

BY ORDER OF THE EXECUTIVE COMMITTEE,

K ETHERINGTON
(Chairman of the Executive Committee)
30 April 2001

**AUDITORS' REPORT TO THE MEMBERS OF
THE INSTITUTE FOR FISCAL STUDIES**

We have audited the financial statements on pages 6 to 13 which have been prepared under the accounting policies set out on page 8.

Respective responsibilities of Executive Committee and auditors

As described on page 4 the Executive Committee is responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards 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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Institute's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which 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 of the state of affairs of the Institute as at 31 December 2000 and of its incoming resources and application of resources, including its income and expenditure, in the year then ended and have been properly prepared in accordance with the Companies Act 1985.

London

PKF
Registered Auditors

1 May 2001

THE INSTITUTE FOR FISCAL STUDIES
(A Company Limited by Guarantee not having a Share Capital)
STATEMENT OF FINANCIAL ACTIVITIES
YEAR ENDED 31 DECEMBER 2000

Notes

		<u>2000</u>	<u>1999</u>
		£	£
INCOME AND EXPENDITURE			
INCOMING RESOURCES			
Membership subscriptions	2	107,850	126,608
Research grants		1,952,481	1,827,841
Publication sales		63,767	69,270
Conference income		21,475	39,146
Branch surplus/(deficit)	10	(1,184)	3,140
INCOMING RESOURCES EXCLUDING INTEREST		2,144,389	2,066,005
RESOURCES EXPENDED			
Direct charitable expenditure	3	1,916,913	1,840,397
Membership and promotion	4	74,764	76,055
Management and administration	5	152,134	144,994
TOTAL RESOURCES EXPENDED	7	2,143,811	2,061,446
NET INCOMING RESOURCES FROM ACTIVITIES BEFORE INTEREST		578	4,559
INTEREST RECEIVABLE		22,310	11,474
TOTAL NET INCOMING RESOURCES FOR THE YEAR		22,888	16,033
FUND BALANCES BROUGHT FORWARD AT 1 JANUARY 2000		472,158	456,125
FUND BALANCES CARRIED FORWARD AT 31 DECEMBER 2000	14	495,046	472,158
		495,046	472,158

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

All amounts relate to continuing operations.

THE INSTITUTE FOR FISCAL STUDIES
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BALANCE SHEET
31 DECEMBER 2000

FIXED ASSETS	<u>Notes</u>	£	<u>2000</u>	£	£	<u>1999</u>	£
Tangible assets	11		264,899			383,370	
 CURRENT ASSETS							
Debtors	12		378,692			280,172	
Bank deposits			305,479			367,990	
Cash at bank and in hand			51,999			66,842	
			<hr/>			<hr/>	
			736,170			715,004	
 CREDITORS							
Amounts falling due within one year	13		506,023			626,216	
			<hr/>			<hr/>	
NET CURRENT ASSETS			230,147			88,788	
			<hr/>			<hr/>	
NET ASSETS			495,046			472,158	
			<hr/> <hr/>			<hr/> <hr/>	
 UNRESTRICTED FUNDS							
General funds	14		495,046			472,158	
			<hr/> <hr/>			<hr/> <hr/>	

Approved by the Executive Committee on 30 April 2001

.....
PROF. M KING

Members of the Executive Committee

.....
K ETHERINGTON

THE INSTITUTE FOR FISCAL STUDIES
(A Company Limited by Guarantee not having a Share Capital)
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2000

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 by Charities issued by the Charity Commission except that interest receivable has been included separately from other incoming resources in the Statement of Financial Activities for the reason given in the following paragraph.

As explained in the Report of the Executive Committee, the current financial policy is that the Institute should aim to break even at the operating level and to allow the reserves to increase primarily as a result of interest received. The Statement of Financial Activities has therefore been drawn up in order to show the extent to which this aim has been achieved. Total incoming resources, including interest, amounted to **£2,166,699** (1999: £2,077,479).

The accounts include the surplus and assets for The Institute for Fiscal Studies (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) Depreciation

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 refurbishment of the premises should be written off over five years whilst all other assets are written off 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 if applicable to the year to the extent that they are received by the time the accounts are prepared.

(d) Book sales

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

(e) Research grants

All research grants are credited to the Statement of Financial Activities when they fall due to be received to the extent that they are matched by relevant expenditure. Any grants received in advance of expenditure are treated as deferred income.

(f) Allocation of expenses

A proportion of certain expenses is not readily identifiable with specific research activities and these have been apportioned on an appropriate basis between management and administration and indirect research costs.

(g) Pension costs

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

(h) Operating leases

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

(i) Foreign currency

Transactions in foreign currencies are translated 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.

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NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2000

2 MEMBERSHIP SUBSCRIPTIONS

	<u>2000</u>	<u>1999</u>
	£	£
Corporate	73,000	84,700
Individuals	15,870	15,388
Partnerships	18,980	26,520
	107,850	126,608
	107,850	126,608

3 DIRECT CHARITABLE EXPENDITURE

Direct research costs	1,559,193	1,436,376
Indirect research costs (note 6)	282,190	300,594
Publication expenses	47,134	64,477
Conference costs	28,396	38,950
	1,916,913	1,840,397
	1,916,913	1,840,397

4 MEMBERSHIP AND PROMOTION

Membership support	56,078	49,691
Promotion	18,686	26,364
	74,764	76,055
	74,764	76,055

5 MANAGEMENT AND ADMINISTRATION

Apportioned expenditure (note 6)	70,148	75,148
Staff costs	70,402	59,168
Audit fee	5,000	5,250
Travelling	3,177	2,664
Entertaining	3,407	2,764
	152,134	144,994
	152,134	144,994

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YEAR ENDED 31 DECEMBER 2000

6 APPORTIONED EXPENDITURE

	<u>Notes</u>	<u>2000</u> £	<u>1999</u> £
Legal and professional		3,988	7,987
Telephone		9,127	9,771
Printing, postage and stationery		27,146	35,188
Insurance		11,923	8,862
Leasing and maintenance of equipment		3,550	4,515
Depreciation	1(b) & 11	146,080	140,592
Computer running costs		19,631	17,045
Miscellaneous		3,630	3,239
VAT recovered		(2,007)	(2,363)
Property costs (excluding rental payments)		26,500	48,136
Operating lease payments:			
Property rentals		102,770	102,770
		<hr/>	<hr/>
		352,338	375,742
		<hr/> <hr/>	<hr/> <hr/>
Allocated as:			
Indirect research costs	3	282,190	300,594
Management and administration	5	70,148	75,148
		<hr/>	<hr/>
		352,338	375,742
		<hr/> <hr/>	<hr/> <hr/>

7 TOTAL RESOURCES EXPENDED

	<u>Staff costs</u> £	<u>Depreciation</u> £	<u>Other</u> £	<u>Total 2000</u> £	<u>Total 1999</u> £
Direct charitable expenditure	1,304,904	116,864	495,145	1,916,913	1,840,397
Membership and promotion	36,178	-	38,586	74,764	76,055
Management and administration	70,402	29,216	52,516	152,134	144,994
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	1,411,484	146,080	586,247	2,143,811	2,061,446
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

THE INSTITUTE FOR FISCAL STUDIES
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YEAR ENDED 31 DECEMBER 2000

8 STAFF COSTS	<u>2000</u> £	<u>1999</u> £
Staff costs:		
Wages and salaries	919,080	835,611
Social security costs	92,425	86,354
Pension costs (see note 16)	116,892	106,845
	<hr/> 1,128,397 <hr/>	<hr/> 1,028,810 <hr/>

These amounts include **£116,088** (1999: £47,928) for staff on secondment or covered by the Institute's permanent health scheme; these costs are recovered. These amounts exclude the costs of **10** (1999: 9) full and part-time staff seconded from universities and HM Treasury at a cost of **£214,996** (1999: £268,912) and **£184,179** (1999: £130,632) to pay other Research Fellows and Research Associates, Graduate Scholars, Summer Students and other associated research staff costs.

Staff costs have been allocated to expenditure headings where they can be specifically identified and the balance is charged to management administration costs.

The average number of employees analysed by function, was:

	<u>2000</u>	<u>1999</u>
Direct charitable expenditure	31	29
Membership and promotion	1	1
Management and administration	2	2
	<hr/> 34 <hr/>	<hr/> 32 <hr/>

The emoluments of the employees (excluding pension contributions) fell in the following ranges in excess of £40,000.

	Number of employees	
	<u>2000</u>	<u>1999</u>
£40,000 - 50,000	5	1
£50,001 - 60,000	1	1
£60,001 - 70,000	1	1
£70,000 - 80,000	1	0
	<hr/> 8 <hr/>	<hr/> 3 <hr/>

9 EXECUTIVE COMMITTEE EMOLUMENTS

Members of the Executive Committee received no remuneration in respect of their duties as members of the Executive Committee. One Executive Committee Member claimed **£121** (1999: £152 claimed by two Members) in respect of travel expenses.

THE INSTITUTE FOR FISCAL STUDIES
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YEAR ENDED 31 DECEMBER 2000

10 BRANCH SURPLUS

The Institute for Fiscal Studies (North West) is a branch of the main charity. The branch transactions are not material to the main charity's accounts. The significant results for the year were as follows:

	<u>2000</u>	<u>1999</u>	£
	£	£	£
Lunchtime meeting (deficit)/surplus	(2,051)	2,818	2,818
Annual dinner surplus/(deficit)	337	(233)	(233)
Interest received	530	555	555
	<hr/>	<hr/>	<hr/>
(Deficit)/surplus for the year	(1,184)	3,140	3,140
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Lunchtime meeting costs included a charge for 1999 expenses for which no accrual had been made in the 1999 accounts.

11 TANGIBLE FIXED ASSETS

	Fixtures and improvements to short leasehold premises	Office equipment	Total
	£	£	£
Cost			
At 1 January 2000	438,084	253,448	691,532
Additions	-	27,609	27,609
Disposals	-	(29,771)	(29,771)
	<hr/>	<hr/>	<hr/>
At 31 December 2000	438,084	251,286	689,370
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Depreciation			
At 1 January 2000	163,022	145,140	308,162
Charge for the year	87,617	58,463	146,080
Disposals and assets no longer in use	-	(29,771)	(29,771)
	<hr/>	<hr/>	<hr/>
At 31 December 2000	250,639	173,832	424,471
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Net book amounts			
At 31 December 2000	187,445	77,454	264,899
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 December 1999	275,062	108,308	383,370
	<hr/> <hr/>	<hr/> <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
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YEAR ENDED 31 DECEMBER 2000

12	DEBTORS	<u>2000</u> £	<u>1999</u> £
	Research grants receivable (note 1e)	306,316	217,015
	Prepayments and accrued income	72,376	63,157
		378,692	280,172
		378,692	280,172

13	CREDITORS	<u>2000</u> £	<u>1999</u> £
	Amounts falling due within one year		
	Grants received in advance of expenditure (note 1e)	164,938	394,363
	Taxation and social security	36,727	27,284
	Accrued expenses	304,358	204,569
		506,023	626,216
		506,023	626,216

14	UNRESTRICTED FUNDS		Accumulated Reserve £
	At 1 January 2000		472,158
	Net incoming resources		22,888
			495,046
			495,046

15 OPERATING LEASE COMMITMENTS

At the end of the year the Institute had operating lease commitments in respect of land and buildings to pay during the following year as follows:

	<u>2000</u> £	<u>1999</u> £
Contracts expiring:		
After one year but less than five years	102,770	-
After five years	-	102,770
	102,770	102,770
	102,770	102,770

16 PENSION SCHEME

Most staff had been in a money purchase personal pension scheme run by the Equitable Life Assurance Society to which IFS made a contribution. Following the problems which affected the Society staff at the IFS decided to freeze all payments until the Institute could introduce an additional provider. Following the appointment of PKF Financial Planning Ltd, as Independent Financial Advisers to the Institute, The Scottish Mutual was introduced as an alternative provider and most staff switched to this scheme before the end of the financial year 2000/01.

The total pension cost to the Institute for the contributions to the Equitable Life scheme was **£71,772** (1999: £102,577) and to the Scottish Mutual scheme it was **£40,760** (1999: nil).

In addition two staff participate in other personal pension schemes, to which the Institute contributed **£4,360** (1999 : £4,268).