

INSTITUTE FOR GOVERNMENT

**ANNUAL REPORT AND ACCOUNTS
FOR THE PERIOD TO 31 MARCH 2015**

**INSTITUTE FOR GOVERNMENT
ANNUAL REPORT AND ACCOUNTS
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**INSTITUTE FOR GOVERNMENT
LEGAL AND ADMINISTRATIVE INFORMATION
FOR THE PERIOD TO 31 MARCH 2015**

Board of Governors

Governor

Lord Sainsbury of Turville	Chair
Hon Jocelyne Bourgon	Resigned 9 December 2014
Rt Hon Liam Byrne MP	
Sir Andrew Cahn	
Lord Currie of Marylebone	
Miranda Curtis	
Dame Sandra Dawson	
Lord Finkelstein	
Susan Hitch	
Sir Andrew Likierman	Chair, Finance & Audit Committee
Philip Rutnam	
Lord Sharkey	
Lord Simon of Highbury	
Sir Jonathan Stephens	Resigned 11 June 2015

Governors' are appointed for an initial term of 3 years. They may be reappointed for further periods of 3 years.

Executive Directors

Peter Riddell is Director of the Institute and is responsible for the day-to-day running of the Institute along with a team of Directors and Programme Directors.

Bankers

The Co-operative Bank plc
Charity, Cooperative and Social Enterprise Banking
3rd Floor, St Paul's House
10 Warwick Lane London EC4M 7BP

Registered Auditors

Crowe Clark Whitehill LLP
St Brides House
10 Salisbury Square
London EC4Y 8EH

Principal & Registered Office

2 Carlton Gardens
London
SW1Y 5AA

Website

www.instituteforgovernment.org.uk

The Institute for Government is a registered charity (No. 1123926) and a company limited by guarantee registered in England and Wales (No. 6480524). It was granted an exemption from the requirement to use the word Limited on 18 January 2008.

**INSTITUTE FOR GOVERNMENT
FOREWORD BY LORD SAINSBURY
FOR THE PERIOD TO 31 MARCH 2015**

Foreword

By Lord Sainsbury of Turville, Founder of the Institute and Chair of Governors

The mission of the Institute for Government is to work with politicians of all parties and with civil servants to improve the machinery and working of Government to meet today's opportunities and challenges. In our six years of existence, we are proud of having built a reputation for independence, impartiality, and practical help and challenge. We have become the place where people come to first for information about how the government works, and to research and discuss how it can be improved, and we can also point to a measurable impact.

Under Peter Riddell's wise direction, the Institute worked with both Government and Opposition before the election to prepare for whatever the outcome of the General Election in May this year, and then to support the Conservative Government's new Ministers. We have also remained focused on the Institute's longer-term themes: on financial management, on relations between the centre and departments, arm's length bodies and contracted services, and the use of evidence in policy-making.

My warm thanks to Peter Riddell, Julian McCrae, Garth Morgan, Tom Gash and all the staff of the Institute for another year of enthusiasm and achievement. They, and those who work with them, bring us exceptional commitment and skill, and our success depends on them. I am also, as every year, particularly grateful to everyone on our excellent Board of Governors for their time, their knowledge and their wisdom. The Institute is fortunate to have their guidance and advice. Thanks to them and to all those who have gathered in the Institute to research and debate the issues, we have seen another year of measurable achievement.

David Sainsbury

**INSTITUTE FOR GOVERNMENT
DIRECTOR'S INTRODUCTION
FOR THE PERIOD TO 31 MARCH 2015**

Introduction by Peter Riddell

By the time the accounts are signed the Institute for Government will have gone through two general elections and has earned a reputation of trust and respect from politicians of all main parties, the civil service, other think tanks and those interested in our mission of improving the effectiveness of government. Our views are sought on a wide range of issues; our reports, blogs, and tweets, are widely followed, and quoted; and our meetings are regularly packed. Unlike conventional think tanks, we do not just produce reports. An increasing amount of effort and resources goes into impact, trying to influence decision makers in Whitehall and Westminster to adopt our views. This is achieved by private meetings and workshops, and more public seminars and events.

The general election was a key test for the Institute, both of relevance and of impartiality. Leading members of the Institute team were very active on the media, in addressing meetings around Whitehall and in contacts with the parties, not just discussing the constitutional issues associated with the election but also pressing what we saw as the priorities for any new government, of whichever party. The challenges had been outlined in our 'Programme for Effective Government' pamphlet published in September 2014, and the priorities were set out in a series of briefing papers before the election. We also preserved our non-partisan authority. Before the election, we worked with the main Opposition party in trying to help them understand how Whitehall operates in preparation for possible office, while, after the general election, we organized a ministerial induction session, with the support of the Cabinet Office, for a number of new ministers in the Conservative Government.

The Institute can also claim influence on developments in Whitehall on strengthening functional leadership across departments; changes to the civil service; open policymaking and the use of evidence; support for parties in the coalition; reinforcing the inter-governmental machinery within the UK; encouraging transparency and a model contract for the outsourcing of public services; greater clarity in the objectives and work of Commons select committees in scrutinizing the executive; and in offering clearer guidelines for relations between central government and arm's length bodies.

All this is only possible thanks to the commitment, energy and professionalism of the staff whether working in research, administration and operations, events or communications. The Institute now has a team of over 40, including full-time staff, some senior fellows on flexible part-time arrangements and a revolving group of paid interns who spend up to six months with us. Both permanent staff and interns are recruited via a competitive process. A number of staff are now going on secondments to local and central government. There is a relatively low staff turnover overall but sufficient to enable us to refresh the team. In particular, in the spring of 2015 we expanded and strengthened the programme director team with new recruits, the return of one member of staff from a long-term secondment and one secondee to us joining the staff on a permanent basis. This has created a team to take the Institute forward for the rest of the parliament.

The other crucial factor has been the strong financial controls ensuring that the Institute has remained within budget. This has, of course, been underpinned by the long-term commitment of the Gatsby Charitable Foundation which enables us to plan ahead and retain our independence. I am very grateful for their support and for the continuing high level of interest of the Governors.

Right Honourable Peter Riddell CBE, Director

INSTITUTE FOR GOVERNMENT GOVERNORS' ANNUAL REPORT FOR THE PERIOD TO 31 MARCH 2015

Background

The Institute for Government ("the Institute") is an independent charity. We work with all the main political parties in Westminster and with senior civil servants in Whitehall, providing evidence based advice that draws on best practice from around the world.

The Institute was initially incorporated as a company limited by guarantee (No. 6480524) on 22 January 2008 and registered as a charity (No. 1123926) on 30 April 2008.

The Institute's original core funder was Lord Sainsbury of Turville. Its principal core funder is now the Gatsby Charitable Foundation, one of the Sainsbury Family Charitable Trusts. Lord Sainsbury is Chair of the Governors.

The Governors are defined in the Articles of Association of the company as having corresponding meaning as Directors of the Company; they are also Charity Trustees as defined by the Charities Act 2011. Under the Articles, all Governors automatically become Members of the Company when they are appointed as Governors.

The Objects of the Charity

The Institute for Government's charitable objects are:

- "The advancement of education in the art and science of government in the UK for the benefit of the public on a non-party political basis", and
- "The promotion of efficient public administration of government and public service in the UK by providing programmes of education, training, research and study for the public benefit on a non-party political basis."

Annual Report

The Governors are pleased to present this, their report, together with the audited financial statements for the period ended 31 March 2015. The report and financial statements have been prepared in accordance with the Companies Act 2006 and comply with the requirements of the 2005 Statement of Recommended Practice - Accounting and Reporting by Charities.

Principal Activities of the Charity

The period to 31 March 2015 has been another successful one for the Institute. The Institute has had another successful programme of well attended and well respected events and seminars and has again developed a wide-ranging programme of research and learning work covering five core themes:

- **A More Effective Whitehall.** This theme covers the management of the civil service and ways of building Whitehall's effectiveness, including through more effective relationships between ministers and civil servants.

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- **New Models of Governance and Public Services.** This theme covers new ways of managing public services, the functioning of arm's length government, decentralization and emerging forms of local governance.
- **Better Policy Making.** This theme covers the core work of Whitehall in developing and implementing policy and new additions to the policy maker's toolkit.
- **Leadership for Government.** This theme covers leadership development for ministers, special advisers and potential ministers, and on-going development support for the Senior Civil Service.
- **Parliament and the Political Process.** This theme covers the overall political scrutiny of government, the dynamics of coalition government and the UK's shifting relationship with the devolved nations.

The Institute's 2014 annual report noted that in the run-up to the 2015 general election the Institute would focus on bringing together the messages of past work to provide advice and support to all parties considering their plans for governing in 2015. In light of this, the period has seen a range of **overarching projects** aimed at supporting senior decision-makers to improve government effectiveness.

A More Effective Whitehall

Work on this theme continued to focus on supporting departments; helping them to improve their effectiveness while undergoing spending reductions; understanding and supporting the centre of government to become more effective; and examining departmental structures. With departments, we continued our work supporting a range of departmental change programmes but also concentrated on understanding how government's future spending reductions could be planned more effectively through a project that culminated in the report *Preparing for the Next Spending Review*.

We conducted extensive work on the centre of government and cross-cutting leadership in Whitehall. In July 2014, we published *Centre Forward*, which identified the core capabilities that the civil service should offer any incoming prime minister and how prime ministers should think about shaping the centre to fit their priorities. In October and November we published further work on how to get the best out of special units and cross-departmental cabinet committees in our reports *The Special Ones: How to make central government units work* and our study of *The National Security Council*.

Following on from our work in 2013-14, we conducted a range of work to support the strengthening of Whitehall's professions and particularly the finance profession, including through private and public events on financial leadership of Whitehall. Linked to this, we promoted improved performance management in Whitehall – with the government responding to our critique of the performance management of permanent secretaries by improving the process of objective setting for government's most senior civil service. We published two reports which identified ways of improving performance across government as a whole: *Data-driven delivery: Lessons from the O'Malley Administration of Maryland* and *Adapting the PMDU model for local government*.

The Institute remained at the heart of debates about the future of the civil service and its leadership, hosting public events with John Manzoni shortly after his appointment as the

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Chief Executive of the Civil Service and from the government's departing Head of the Civil Service, Sir Bob Kerslake and its departing lead non-executive director, Lord Browne. In February 2015, the Institute published the report *All in it together: Cross-departmental responsibilities for improving Whitehall* which emphasised the importance of continued political leadership of civil service reform in the coming parliament.

New Models of Governance and Public Services

Work in this theme focused on ensuring government acted on the recommendations in our past work. We continued to promote improved transparency of outsourced public services. We established a Taskforce comprising leading representatives of government, industry and civil society in order to design a new standard transparency clause for insertion in all government contracts, which was published in March 2015 with the endorsement of Cabinet Office Minister Francis Maude. We continued to promote wider improvements in the design and management of public service markets by delivering training through the government's Commissioning Academy and offering private advice to departments contemplating major changes in their approach.

In terms of decentralisation and local governance, the Institute likewise focused on seeing past recommendations implemented, arguing in favour of stronger city-regional governance in the UK and the use and improvement of the elected mayor model for this tier of government. The government is now introducing an elected city-region mayor for Greater Manchester and advocating that this model be taken up elsewhere. We convened events involving current city mayors and a debate on local governance to raise awareness of the benefits of different governance models in the run-up to the election.

Again building on our previous work, we continued to push for improvements in the way Whitehall works with arm's length bodies (ALBs). Many of our past recommendations for improvements were endorsed by the Public Administration Select Committee in November 2014. In the same month, the Government instigated a review of the current classification and governance system of ALBs in order to investigate the feasibility of adopting the simpler classification proposed by the Institute in 2010. We are continuing to support and monitor the progress of this review and to work closely with the Public Chairs Forum and the Association of Chief Executives and others interested in promoting more effective relationships between government departments and their ALBs. Our work has also had increasing international resonance – the New Zealand government has adapted and adopted our It Takes Two framework for managing ALBs (renamed It Takes Three) and we have had interest in our relationship management tool from the Netherlands.

Better Policy Making

The government policy profession's *12 Actions to Professional Policy Making* published in October 2013 drew heavily on past Institute work. Our work in 2014-15 has therefore focused partly on supporting leaders of the policy profession and departmental policymakers to implement these actions, including by ensuring that the majority of departments now have a framework for judging what good policy looks like (based on our 'policy fundamentals'). The Institute has also offered support to wider initiatives focused on raising the quality of policymaking in government. We have worked closely with government's What Works centres and hosted a number of events on improved use of evidence and evaluation. Our project with the Big Lottery Fund, *Connecting Policy with Practice*, has meanwhile helped to connect Whitehall policymakers with frontline practitioners, primarily from the voluntary sector – with the lessons from this programme shared for a wider audience in our publication

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Insights from the Connecting Policy with Practice Programme in 2014-15. The Institute has also conducted work on the value of historical insight for policymakers.

The second focus of our policymaking work has been on understanding policy implementation. We conducted a major research project examining four major reforms in the past decade in partnership with the Joseph Rowntree Foundation. This culminated in the report, *Doing them Justice: Lessons from four case studies of policy implementation*. We also conducted work on approaches to implementation overseas in collaboration with the Mowat Centre in Ontario, Canada, which was summarised in the report *International Delivery: Centres of government and the drive for better policy implementation* and then followed up by a case study on the Maryland model following a visit in December *Data-Driven Delivery: Lessons from the O'Malley Administration of Maryland* and an Inside Out report on the Haringey model. This work has enabled close engagement with the government's Implementation Unit, the Policy Unit and departmental implementation units.

Our third policymaking focus related to understanding the UK's political economy and how current institutional arrangements both help and hinder effective policymaking in the areas of education, housing, and infrastructure (especially transport and energy policy). This programme of work, in partnership with the University of Strathclyde and supported by the Economic and Social Research Council, builds on previous work with the London School of Economics' Growth Commission. It resulted in a range of publications, including: *Housing That Works for All: The Political Economy of Housing in England*; *Political Economy of Policy Failure and Institutional Reform: A review of the academic literature*; and *Political Economy of Infrastructure in the UK*. A summary of the research's findings will be launched in a public seminar in September 2015.

Parliament and the Political Process

Under the Parliament and the Political Process theme, the Institute continued its interest in the functioning of coalition government. Our reports *Year Five: Whitehall and the Parties in the Final Year of Coalition* and *Separate Space: The Final Year of the Scottish Coalition, 1999-2007* were accompanied by high profile events and wider activity focused on informing decisions and behaviour in the final year of the coalition.

The Institute conducted a range of work to support effective preparation for a possible political transition in 2015. Our publication *Westminster in an age of minorities* examined the possibility of a hung parliament in 2015, how a government would be formed in this context and how Whitehall would need to adapt in the event of this outcome. Our publications *Pre-election Contact Between the Civil Service the Parties: Lessons from 2010* and *The UK constitution and the 2015 election* advised on how various election scenarios might be handled effectively and called for government to reduce the unhelpful ambiguity that can in some circumstances accompany indecisive election results in the UK.

The Institute conducted a range of work in relation to further devolution to Scotland and the devolved nations, with a view to supporting effective decision-making following the Scottish referendum on independence. In August 2014, the report *Governing After the Referendum* assessed the challenges of implementing a range of potential new constitutional settlements for Scotland, Wales and Northern Ireland. A parallel paper, *The Civil Service In Territorial Perspective*, analysed the presence of each Whitehall department in the different territories and considered how each have had to adapt in the event of a Yes vote. In February 2015 our final report *Governing in an Ever Looser Union* identified ways of strengthening systems for intergovernmental cooperation as further powers are devolved to the three devolved nations.

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The Institute embarked on a major research project on the effectiveness of parliamentary scrutiny of government, engaging closely with parliament through this work which will be completed in 2015. This project produced an interim report *Parliamentary Scrutiny of Government*.

Leadership for Government

Work in this area has followed the Institute's strategy of supporting the development of key decision makers and their immediate teams. We have continued our work on the role and effectiveness of Opposition and its relationship to effective government. The main focus was on how effective policy making could be undertaken in opposition, and, during the second half of 2014 and early 2015, on how potential ministers could prepare for office. In the latter area, this has included working with members of the shadow front bench and individual shadow ministers' teams. The Insights from our work supporting politicians to improve their effectiveness will be captured through a project and short publication later in 2015.

Following on from work on this topic in 2012-13, we have hosted a range of discussions and events on the role of special advisers and how they can be more effective. We published two 'inside-out' reports from former special advisers, *In Defence of Special Advisers – Lessons from personal experience*, and *The Unelected Lynchpin: Why Government Needs Special Advisers*, which both provided practical insights for those currently in the role or preparing for it.

We continued to focus on ensuring that women were represented in leadership positions across government and to learn from successful women leaders in government through our *Women Leaders* event series in partnership with Ernst & Young.

Overarching projects

2014/15 saw a major focus on consolidating the lessons of past research for use by decision-makers and influencers in the run-up to the 2015 general election. The Institute's *Programme for Effective Government* presented the Institute's priorities for the next government, focusing particularly on the steps politicians needed to take to govern effectively from 2015. The Programme was the subject of several events: three events at the party conferences, with leading figures from each party responding to the report's recommendations; a launch event in parliament, with senior representatives of the three largest parties responding; and four Institute for Government events, including one with leading figures from business and the voluntary sector.

Immediately before the election campaign, we drew on this project and wider work to produce a series of briefing notes summarising our views on issues that are central to government effectiveness early in a new parliament. These covered: *Making a start to government*; *Getting the centre of Whitehall into shape*; *Being an effective minister*; *Turning policy priorities into effective change*; *Getting a better deal from outsource services*; and *Making quangos an asset not a liability*.

This year saw the publication of our second annual report on Whitehall, *Whitehall Monitor 2014*, which provides a data-driven view of Whitehall and its performance. This work aims to inform interested parties and to promote greater transparency in government.

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Future Plans

To achieve our mission to promote government efficiency and effectiveness, the Institute needs to be authoritative, independent and professional and be seen to be an indispensable centre of knowledge and expertise. To this end, we will continue to blend our research work with wide engagement with decision-makers and hands-on support to those working in senior positions across government.

The Institute can now draw on an extensive body of research which highlights ways that government effectiveness can be improved. In light of this, our focus will continue to be on influencing change as well as producing new insights. However, we will continue to conduct research in relation to all of our five programmes.

The May general election unexpectedly produced an administration with an overall Commons majority, albeit a small one, as well as a divided opposition. This will not, however, make the challenges faced by government over the next few years any easier to handle. A continued squeeze on public spending in many departments will mean that services have to be transformed if standards are to be maintained, let alone improved. The UK's relationship with the European Union remains uncertain until after the promised referendum, while the central government's relationship with the devolved nations remains in flux.

To support government in addressing these and other challenges, the Institute is undertaking further work on, for example how Whitehall can deliver further spending reductions; is looking at relations between various levels of government within the UK, is examining how citizens' experience of local public services can be improved, and is assessing how government can involve the public in making difficult decisions. The Institute is also examining the history of Whitehall's relationship with Europe, while we are taking forward our leadership for government programme with induction and support for new ministers.

Work on all our core theme will continue as we seek to discover and promote further improvements in government effectiveness.

Public Benefit

The Governors confirm that they have complied with the duty in the Charities Act 2011 to have due regard to the guidance by the Charity Commission on public benefit.

The Governors confirm that, in carrying out its principal activities, the Institute provided public benefit during the period to 31 March 2015.

Achievement of Public Benefit

The Institute has produced high-quality research reports and analysis that are independent of government, political parties, individual clients or companies. These are made available widely and free of charge to individuals, organisations, practitioners and others with an active interest in the government of the UK.

Together, these reports and the events arising out of the reports provide a robust evidence base on the governance of the UK, thereby equipping the public with knowledge and information on the issues affecting the governing of the UK and the training of its current and future ministers.

Financial Review

The consolidated surplus before transfers on the general fund for the period was £431,170. After transfers to designated funds, equivalent to fixed asset additions as well as additions to

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a project investment fund and building fund, the consolidated surplus on all funds was £45,768.

The Institute holds a designated fixed asset fund representing the net book value of the underlying fixed assets in the business. This is a prudent measure reflecting the fact that these assets would not be easily realisable if needed to meet future liabilities.

A designated fund of £250,000 has been set aside towards future capital and maintenance costs of 2 Carlton Gardens. A previous fund was fully utilised undertaking roof works on the building in 2013-14.

A designated fund of £237,975 is now held for future investment in project activity. This fund enables the Institute to develop new streams of work proactively. It is anticipated that following the recent general election this fund will be utilised on supplementing existing and developing new project activity.

Total unrestricted funds increased to £2,232,439 at 31 March 2015 (2014: £2,186,671). Restricted funds remained at £nil (2014: £nil).

There was a small surplus on total funds of £45,768 which is after depreciation charges of £385,402 against fixed assets, the net book value of which is held in a designated fund.

The Institute's consolidated income from general funds amounted to £3,665,051 (2014: £3,549,827) whilst consolidated general fund expenditure amounted to £3,233,881 (2014: £3,470,603) as shown in the Statement of Financial Activities.

Structure, Governance and Management

The Institute is run by a Board of Governors, who are also Members and Directors of the Company and Trustees of the Charity. The Board met every three months during the period covered by the Annual Report to manage and control the affairs of the Institute and delegates day-to-day management issues to the Director, Peter Riddell and management.

The Executive Committee of the board continued to meet on a monthly basis, chaired by Lord Sainsbury.

The Finance and Audit Committee, chaired by Sir Andrew Likierman, also meets on a quarterly basis.

The Governors concern themselves mainly with issues of a strategic nature, deciding broad policy for the Institute and ensuring good governance and compliance. The Management Team undertakes the day-to-day management of the Institute's activities within the framework set out by the Governors. The Articles of Association provide for the appointment and retirement of the Governors.

Risk Management

The key risk identified by the Governors is a cessation of core annual funding.

The Institute has established a system for managing specific risks, which is an integral part of the organisational procedures at the Institute.

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Reserves Policy

The Gatsby Charitable Foundation supports the Institute financially through core funding on an annual basis.

The Governors' have reviewed their reserves policy and the financial risks faced by the organisation. The Governors' policy is that the level of reserves, defined as free and undesignated reserves measured by the amount of retained general funds (previously measured as unrestricted net current assets), should be at least £250,000. Current reserves levels are well above this target at £392,830. Given the size of the organisation and the size and nature of the risks faced the current policy and reserves level is regarded as satisfactory.

Total unrestricted reserves stand at £2,232,439. Fixed assets represent £1,351,634 of this, principally our interest in 2 Carlton Gardens and specifically leasehold improvements, reflecting the extent of investment in the fixed assets of the business and the importance of building up a more significant pool of liquid reserves.

There are also designated funds set aside for project investment and capital and maintenance of 2 Carlton Gardens. These funds amount to £487,975 and provide financial security against significant one off costs associated with 2 Carlton Gardens and scope to invest in future new activity.

With further investment in projects anticipated during 2015-16 and with a cyclical external redecoration planned for 2016 utilising some of these funds the Institute's financial budgeting programme for the 2015-16 financial year aims to maintain a similar level of free general fund reserves. Reserves are required to:

- smooth out surpluses and deficits year on year;
- replace capital expenditure or restructure the organisation;
- deal with the effect of any risks that materialise;
- allow the organisation to take on opportunities that may arise in a timely manner;
- deal with the unexpected.

The policy is reviewed at least once a year as part of the annual reporting process and as necessary by the Governors.

Auditors

A resolution proposing the appointment of Crowe Clark Whitehill LLP as auditors of the Charity for the year to 31 March 2016 will be put to the Annual General Meeting.

Statement of Governors' responsibilities

The Governors (who are also directors of the Institute for Government for the purposes of company law) are responsible for preparing the Governors' Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards).

Company law requires the Governors to prepare financial statements for each financial year. Under company law the Governors 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 charitable company and the group and of the incoming resources and application of resources, including the income and expenditure, of the charitable group for that period. In preparing these financial statements, the Governors are required to:

- select suitable accounting policies and then apply them consistently;

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- observe the methods and principles in the Charities SORP;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

The Governors are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions, disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006 and the provisions of the charity's constitution. They are also responsible for safeguarding the assets of the charity and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Governors 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 financial statements may differ from legislation in other jurisdictions.


Disclosure of information to auditors

Each of the Governors who were directors of the company at the date when this report was approved has confirmed that:

- So far as they are aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the company's auditors are unaware;
- They have taken all the steps that they ought to have taken as directors to make themselves aware of any relevant audit information (as defined) and to establish that the Charity's auditors are aware of that information.
- This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Crowe Clark Whitehill LLP has expressed its willingness to continue as auditor for the next financial year.

Approved by the Board and signed on behalf of the governors by:


.....

Lord Sainsbury of Turville
Chair of the Governors

Date:

6/10/15

Independent Auditor's Report to the Governors of the Institute for Government

We have audited the financial statements of the Institute for Government for the year ended 31 March 2015 which comprise the Group Statement of Financial Activities, the Group and Company Balance Sheets and the related notes numbered 1 to 15.

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 charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and the charitable company's trustees as a body in accordance with section 154 of the Charities Act 2011. Our audit work has been undertaken so that we might state to the charitable company's members and trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company, the charitable company's members as a body and the charitable company's trustees as a body for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Governors and auditor

As explained more fully in the Statement of Governors' Responsibilities, the Governors (who are also the directors of the charitable company for the purpose of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

We have been appointed as auditor under section 151 of the Charities Act 2011 and under the Companies Act 2006 and report in accordance with regulations made under those Acts.

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 Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Governors' Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the charitable company's affairs as at 31 March 2015 and of the group's 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 and the Charities Act 2011.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Governors' Annual 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:

- the parent charitable company has not kept adequate accounting records; or
- the parent charitable company 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; or
- the trustees were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemption from the requirement to prepare a strategic report or in preparing the Trustees Annual Report.



Mike Hicks

Senior Statutory Auditor

For and on behalf of

Crowe Clark Whitehill LLP

Statutory Auditor

St Bride's House

London EC4Y 8EH

Date: 14.10.15

Crowe Clark Whitehill LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.

INSTITUTE FOR GOVERNMENT
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
(INCORPORATING INCOME AND EXPENDITURE ACCOUNTS)
YEAR ENDED 31 MARCH 2015

INCOMING RESOURCES	Notes	Unrestricted			2015	2014
		General Fund	Designated Funds	Restricted Funds	Total Funds	Total Funds
		£	£	£	£	£
From Charitable Activities						
Grants receivable from trusts and other bodies	2	3,442,621	-	-	3,442,621	3,342,350
Other income		158,047	-	505,876	663,923	488,918
From Generated Funds						
Other income		63,141	-	-	63,141	91,720
Investment income		1,242	-	-	1,242	7,009
Total incoming resources		3,665,051	-	505,876	4,170,927	3,929,997
RESOURCES EXPENDED						
Charitable Activities	3	3,163,631	385,402	505,876	4,054,909	4,289,071
Costs of Generating Funds – Trading Costs		43,800	-	-	43,800	42,524
Governance Costs	4	26,450	-	-	26,450	68,754
Total resources expended		3,233,881	385,402	505,876	4,125,159	4,400,349
Net incoming(outgoing) resources		431,170	(385,402)	-	45,768	(470,352)
Transfers between funds	12	(417,417)	417,417	-	-	-
Funds brought forward at 1 April 2014		379,077	1,807,594	-	2,186,671	2,657,023
Funds carried forward at 31 March 2015		392,830	1,839,609	-	2,232,439	2,186,671

All of the above results are derived from continuing activities.

There are no recognised gains and losses other than those shown above.

The notes numbered 1 to 15 form part of these financial statements

**INSTITUTE FOR GOVERNMENT
CHARITY AND GROUP BALANCE SHEETS
AS AT 31 MARCH 2015**

	Notes	Group		Company	
		2015	2014	2015	2014
		£	£	£	£
FIXED ASSETS					
Tangible fixed assets	7	1,351,634	1,657,594	1,351,634	1,657,594
Investments	8	-	-	100	100
		1,351,634	1,657,594	1,351,734	1,657,694
CURRENT ASSETS					
Debtors	9	255,453	229,691	538,857	477,281
Cash at bank		1,158,495	1,188,372	871,541	937,282
		1,413,948	1,418,063	1,410,398	1,414,563
CURRENT LIABILITIES					
Creditors: amounts falling due within one year	10	489,906	811,010	486,456	807,610
NET CURRENT ASSETS		924,042	607,053	923,942	606,953
Total assets less current liabilities		2,275,676	2,264,647	2,275,676	2,264,647
Creditors: amounts falling due after more than one year	11	43,237	77,976	43,237	77,976
NET ASSETS		2,232,439	2,186,671	2,232,439	2,186,671
FUNDS					
Unrestricted Funds					
General Fund		392,830	379,077	392,830	379,077
Designated Funds		1,839,609	1,807,594	1,839,609	1,807,594
		2,232,439	2,186,671	2,232,439	2,186,671

These financial statements have been prepared in accordance with the special provisions of the Companies Act 2006 relating to small entities.

Institute for Government is a company limited by guarantee registered in England & Wales. Company number: 6480524

These financial statements were approved by the Governors and authorised for issue on the date below and signed on their behalf by:

..... 

Lord Sainsbury of Turville
Governor

Date: 6/10/15

The notes numbered 1 to 15 form part of these financial statements.

**INSTITUTE FOR GOVERNMENT
NOTES TO THE ACCOUNTS
YEAR ENDED 31 MARCH 2015**

1. ACCOUNTING POLICIES

a) Accounting Convention and Basis of Accounting

The accounts have been prepared under the historical cost convention. They have been prepared in accordance with the Companies Act 2006, with applicable accounting standards and they also comply with Statement of Recommended Practice on Accounting and Reporting by Charities (SORP 2005). After making enquires, the governors have a reasonable expectation that the charity has adequate resources to continue its activities for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements as outlined in the statement of governors' responsibilities on page 13. As a small company under the Companies Act 2006, the company has applied the exemption under FRS 1 – Cash Flow Statements from preparing a cash flow statement.

b) Group Accounts

Group accounts have been prepared for Institute for Government and its wholly owned subsidiary IFG Enterprises Limited in accordance with the requirements of SORP 2005. The accounts have been consolidated on a line-by-line basis to include the result of IFG Enterprises Limited. The results of IFG Enterprises Limited are shown in Note 15. In accordance with the Companies Act 2006, no individual statement has been prepared for the parent company, Institute for Government.

c) Income

Income represents grants receivable in the period from outside granting bodies, investment income and other miscellaneous income. Income is recognised in the period in which it arises except where it specifically relates to a future period.

d) Restricted Funds

The original capital grant given by the Gatsby Charitable Foundation could only be expended on the renovations of the property, 2 Carlton Gardens. This was fully spent on the renovation in 2011-12 and all funds were transferred to general funds in 2011-12. All other restricted funds were fully spent during the year.

e) General Funds

General funds are unrestricted funds which are available for use at the discretion of the governors in furtherance of the general objectives of the charity and which have not been designated for other purposes.

f) Designated Funds

Designated funds are unrestricted funds that have been set aside by the Governors' for a specific purpose. The governors' have designated funds as follows: i) representing the net book value of the Institute's leasehold improvements and other fixed assets. This fund is designated in recognition that the fixed assets are used in the Institute's day to day activities and the fund would not be easily realisable if needed to meet future liabilities; ii) a provision for future building maintenance and improvements costs for 2 Carlton Gardens. This fund had been fully utilised during 2013-14 undertaking roof replacement at 2 Carlton Gardens. A new fund of £250,000 has been created in 2014-15 reflecting future potential costs associated with the building and iii) a fund of £237,975 for investment in future project activity which was topped up by £87,975 in 2014-15. It is expected that some utilisation on project investment will occur in 2015-16 as the Institute develops its research focus for the post-election period.

g) Resources Expended

Expenditure is recognised when a liability is incurred. Charitable expenditure represents the full cost of research and training performed. It includes the cost of direct staff, consumable materials and other indirect costs. Where expenditure is attributable to more than one category of expenditure it is included on the basis of use. Governance costs represent the necessary compliance with statutory and constitutional requirements.

h) Fixed Assets

Depreciation is provided to write off the cost less estimated residual value of the tangible fixed assets by equal instalments over their estimated useful economic lives as follows: Office equipment 33% straight line; Furniture & fittings 20% straight line. The leasehold of the premises is depreciated over the term of the lease.

**INSTITUTE FOR GOVERNMENT
NOTES TO THE ACCOUNTS
YEAR ENDED 31 MARCH 2015**

- i) Pension Costs**
The Charity has a money purchase scheme for qualifying employees. Pension costs charged to the Statement of Financial Activities represent the contributions payable by the Charity in the period.
- j) Taxation**
No taxation is payable due to the charitable status of the organisation. No deferred tax needs to be provided as there are no tax timing differences.
- k) Operating Leases**
Payments in respect of operating leases are charged to the consolidated statement of financial activities over the life of the lease on a straight-line basis.

2. ANALYSIS OF GRANTS RECEIVED

	2015	2014
	£	£
Gatsby Core Grant	3,442,621	3,342,350

3. ANALYSIS OF RESOURCES EXPENDED

a) ANALYSIS OF CHARITABLE ACTIVITIES

	Staff Costs	Other direct costs	Support Costs	2015 Total	2014 Total
	£	£	£	£	£
Charitable Activities	2,500,468	218,254	1,336,187	4,054,909	4,289,071
Cost of Generating Funds	-	-	43,800	43,800	42,254

During 2014-15 the Institute continued to work on its five core strategic themes of work which includes aspects of Research, Training and Development. As a result any distinction between Research and Learning & Development is not relevant.

b) ANALYSIS OF SUPPORT COSTS

	2015	2014
	£	£
Finance	91,498	137,130
IT	92,981	95,719
Premises	524,420	718,753
Administration	562,854	621,436
Other	108,234	89,251
	1,379,987	1,662,289

Where allocation of support costs is not clear, the basis of allocation is that of headcount and percentage of time spent in each support department.

INSTITUTE FOR GOVERNMENT
NOTES TO THE ACCOUNTS (Continued)
YEAR ENDED 31 MARCH 2015

4. GOVERNANCE COSTS

	2015	2014
	£	£
Legal fees	-	40,214
Auditors remuneration	14,700	14,500
Other accountancy fees	-	-
Board Expenses	11,750	14,040
	26,450	68,754

5. REMUNERATION OF THE GOVERNORS

No Governors received remuneration from the Institute during the period. The only expenses reimbursed was for Jocelyne Bourgon's travel costs amounting to £11,750 (2014: £14,040) to the board meetings held during the year.

6. STAFF NUMBERS AND COSTS

The average number of persons employed by Institute of Government whether on a full time or part time basis during the period, analysed by category, was as follows:

	2015	2014
	No.	No. Restated
Research, Learning and Development	28	27
Office, management and services	14	13
	42	40

The aggregate payroll costs of these persons were as follows:

	£	£
Wages and salaries	2,064,583	2,103,995
Social security costs	227,711	235,207
Other pension costs	154,833	149,548
Other costs	9,644	10,094
	2,456,771	2,498,844

The number of staff with emoluments greater than £60,000 was:

	2015	2014
£60,000 - £69,999	2	1
£70,000 - £79,999	-	1
£80,000 - £89,999	1	3
£90,000 - £99,999	1	2
£110,000 - £119,999	1	-
£120,000 - £129,999	1	1
£210,000 - £219,999	-	1
£220,000 - £229,999	1	-
	1	-

INSTITUTE FOR GOVERNMENT
NOTES TO THE ACCOUNTS (Continued)
YEAR ENDED 31 MARCH 2015

7. TANGIBLE FIXED ASSETS

Cost	Group and Charity			£ Total
	£ Leasehold Improvements	£ Office Equipment	£ Furniture & Fittings	
Balance brought forward 1 April 2014	2,852,523	730,300	357,046	3,939,869
Additions	-	73,510	5,932	79,442
Balance carried forward at 31 March 2015	2,852,523	803,810	362,978	4,019,311
Depreciation				
Balance brought forward at 1 April 2014	1,374,090	668,299	239,886	2,282,275
Charge for the period	292,251	56,577	36,574	385,402
Balance carried forward 31 March 2015	1,666,341	724,876	276,460	2,667,677
Net book value at 31 March 2015	1,186,182	78,934	86,518	1,351,634
Net book value at 1 April 2014	1,478,433	62,001	117,160	1,657,594

8. INVESTMENTS

	Charity	
	2015	2014
Investment in subsidiaries	£ 100	£ 100

9. DEBTORS

	Group		Charity	
	2015	2014	2015	2014
	£	£	£	£
Trade debtors	139,621	120,543	127,385	119,481
Other debtors	15,955	11,245	311,595	259,897
Prepayments and accrued income	99,877	97,903	99,877	97,903
	255,453	229,691	538,857	477,281

Included within Other debtors of the Charity is an amount due from IFG Enterprises Limited of £295,639 (2014: £248,652).

INSTITUTE FOR GOVERNMENT
NOTES TO THE ACCOUNTS (Continued)
YEAR ENDED 31 MARCH 2015

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Charity	
	2015	2014	2015	2014
	£	£	£	£
Trade creditors	156,259	331,316	156,259	331,316
Other taxation and social security	88,068	189,950	88,068	189,950
Accruals and deferred income	244,592	287,351	241,142	283,851
Other creditors	987	2,393	987	2,493
	489,906	811,010	486,456	807,610

11. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Charity	
	2015	2014	2015	2014
	£	£	£	£
Other taxation and social security	43,237	77,976	43,237	77,976

12. TRANSFERS BETWEEN FUNDS AND FUNDS STATEMENT

The Funds Statement below incorporates transfers between funds representing the expenditure of restricted funds granted for fixed assets on their specific purpose and the separation of unrestricted funds between general funds and those represented by fixed assets held for charitable purposes.

	Balance 1 Apr 2014	Incoming resources	Resources used	Transfers	Balance 31 Mar 2015
	£	£	£	£	£
Unrestricted Income Funds					
General funds	379,077	3,665,051	(3,233,881)	(417,417)	392,830
Designated Funds					
Property and fixed asset fund	1,657,594	-	(385,402)	79,442	1,351,634
Capital and maintenance fund	-	-	-	250,000	250,000
Project Investment fund	150,000	-	-	87,975	237,975
Restricted Funds					
Charitable activities with restricted funding	-	505,876	(505,876)	-	-
TOTAL FUNDS	2,186,671	4,170,927	(4,125,159)	-	2,232,439

**INSTITUTE FOR GOVERNMENT
NOTES TO THE ACCOUNTS (Continued)
YEAR ENDED 31 MARCH 2015**

13. ANALYSIS OF NET ASSETS BETWEEN FUNDS - GROUP

	Unrestricted funds		Restricted funds	Group total funds
	General	Designated		
	£	£	£	£
Fund balances at 31 March 2015 are represented by:				
Tangible fixed assets	-	1,351,634	-	1,351,634
Current assets	925,973	487,975	-	1,413,948
Current liabilities	(489,906)	-	-	(489,906)
Long-term liabilities	(43,237)	-	-	(43,237)
	392,830	1,839,609	-	2,232,439

14. LEASE COMMITMENTS

Operating Leases

At 31 March 2015 the Institute had annual commitments under non-cancellable operating leases as follows:

Land & buildings	2015	2014
	£	£
Greater than 5 years	205,000	224,900

15. TRADING SUBSIDIARY

IFG Enterprises Limited continues to manage the commercial activities of the Institute for Government, principally room hire and other event management. Financial statements for the company's financial year to 31 March 2015 have been prepared. All taxable profit is gifted to the Institute for Government.

IFG Enterprises Limited	2015	2014
	£	£
Total income	58,680	56,084
Cost of sales	(43,800)	(42,524)
Administrative costs	(3,846)	(4,433)
Net profit to be gifted to Institute for Government	11,034	9,127

Included in the results above is a management fee payable to the parent company of £ 43,800 (2014: £42,254) relating to the cost of sales of events held by IFG Enterprises Limited.

As at 31 March 2015, IFG Enterprises Limited had total assets of £ 299,189 and total liabilities of £ 299,089.