

The Institute of Development Studies
Annual Report and Financial Statements
31 March 2017

Company Limited by Guarantee Registration Number 877338
(England and Wales)

Charity Registration Number 306371

Reports

Reference and administrative Information	1
Chairman's introduction	3
Trustee's Report	6
Structure, Governance and Management	6
Strategic Report	11
Quality, Impact and Public Benefit	18
Financial report for the year	22
Principal risks	26
Future Plans	28
Independent auditor's report	30

Financial Statements

Statement of financial activities	32
Balance sheet	33
Cash flow statement	34
Notes to the financial statements	35

Trustees*

Mr M Anderson~^

Dr A Cheema=

Mr G Davies+~

Ms M Hunt^

Professor J Kydd+~^=(Chairman)

Professor M Leach+~^=

Ms T Manuh=

Professor M Moore =

Dr D O'Brien ~=

Ms J Randel +

Dr Y Sokona=

Professor F Stewart ^=

Dr R Tandon=

Professor A Tickell

Ms E Wilson

*Trustees as at 31 March 2017. For details of other Trustees during the year see page 7

+Member of the Resources and Audit Committee

~Member of the Remuneration Committee

^Member of the Nominations Committee

=Member of the Programme Review and Advisory Committee

Ms E Maddison

Company Secretary

Strategic Leadership Group	Professor M Leach (Director) Professor J Gaventa Mr J Georgalakis Ms E Maddison Dr P Waldman
Registered Office	Andrew Cohen Building University of Sussex Brighton, East Sussex BN1 9RE
Telephone	01273 606261
Facsimile	01273 915835
Website	www.ids.ac.uk
Email	ids@ids.ac.uk
Company registration number	877338 (England and Wales)
Charity registration number	306371
Auditor	Crowe Clark Whitehill LLP St. Bride's House 10 Salisbury Square London EC4Y 8EH
Bankers	Barclays Bank plc The Old Bank High Street Lewes East Sussex BN7 2JP
Investment Advisors	CCLA Senator House 85 Queen Victoria Street London EC4V 4ET
Solicitors	DMH 40 High Street Crawley West Sussex RH10 1BW

CHAIRMAN'S INTRODUCTION

The last year has been one of rapid and unexpected change with the global political, economic and social landscape remaining in flux. As IDS moves towards the half point of its five year strategy, it has been an important moment to reflect on our progress and respond to both the opportunities and threats that Brexit, an imminent UK general election, the Trump administration and the closing down of civil society space globally pose to us and others working in the aid and development and higher education sectors.

At this moment, our engaged excellence approach and the emphasis that it places on partnership, internationalism and cooperation has never seemed so important. I set out below how this continues to be central to all that we do and the progress we have made over the last year against our four strategic goals.

Contribute to transformations that reduce inequalities, accelerate sustainability and build inclusive, secure societies

IDS continued to build its reputation as a global leader in research and teaching around issues of gender and gender inequalities. Unique evidence from IDS and partners was incorporated into the first UN High Level Report on Women's Economic Empowerment which highlighted the centrality of unpaid care work to women's economic empowerment. The Institute also celebrated the 30th anniversary of its MA Gender and Development which it hosts with the University of Sussex' School of Global Studies, and supported the establishment of the inaugural MA in Gender and Development at Cairo University, Egypt.

Understanding how green transformations can be achieved, how low-cost energy can be made available across Africa and exploring the links between water, energy and food – these are just some of the ways that IDS has contributed to transformations that accelerate sustainability. A significant proportion of this work is being led by the IDS-based ESRC STEPS Centre. In the last year, the ESRC STEPS Centre has worked with the UN Commission on Science and Technology for Development (UNCSTD) to produce a paper on the implementation of the Sustainable Development Goals and was presented at the UNCSTD's Inter-sessional Panel in January 2017.

At a time when global civil society space is shrinking, ensuring that the voices of citizens are heard and that they are able to hold their governments to account has never been so important and is critical to ensuring inclusive and secure societies. The Making All Voices Count programme (MAVC), for which IDS is responsible for the Research and Evidence component, has made over 160 grants to support the innovation, application, and scaling up of technologies to amplify citizen's voices in order to enhance accountability and government responsiveness. One grant to the KotaKita project in Indonesia drew out new insights and analysis on what is needed to revitalise citizen participation in urban participatory budgeting in Indonesia. This has gone on to inform the work of the Governor in the local government area of Bojonegoro Regency.

Embed engaged excellence and its four pillars across all that we do

Working in partnership to generate and share high quality research which makes a tangible contribution to policy change, attitudes and behaviours and improving the capacity of others to generate and share knowledge and evidence is encapsulated by the Institute's engaged excellence approach. It is at the heart of all that we do and examples of it in our work this year include signing a set of new memorandums of understanding (MOU) with BRAC, James P Grant

CHAIRMAN'S INTRODUCTION (CONTINUED....)

School of Public Health (JPGSH) and the BRAC Institute of Governance and Development (BIGD). These build on decades of successful joint work to tackle global poverty; the publication of an issue of the IDS Bulletin and an edited collection 'The Social Realities of Knowledge for Development' which demonstrate our engaged excellence approach through practical case studies and the culmination of a four year DFID-funded programme which has made substantial contributions to policies and understandings around hunger and nutrition, violence and the role of rising powers in development through work with global partners.

Work locally and globally within a universal framing of development

At IDS we work within a framing of development that means progressive economic, social and political change for everyone, everywhere. In 2016 the World Social Science Report 'Challenging Inequalities – Pathways to a Just World' was published. The report was co-directed by Professor Melissa Leach, IDS Director, Professor John Gaventa, IDS Director of Research and Patricia Justino, IDS Research Fellow, with contributions from many other IDS researchers. The report was truly universal in its scope and offers new insights and analysis on how unchecked inequalities could jeopardise the sustainability of economies, societies and communities, undermining efforts to achieve the Sustainable Development Goals (SDGs) by 2030.

Working with the World Wide Web Foundation and Nesta, and with the support of the UK Department for International Development (DFID) and the ESRC-DFID Impact Initiative, IDS hosted the Digital Development Summit 2017 on the future of work as jobs, wherever they are based, become increasingly automated.

Create an institute that is thriving financially and organisationally, and living its values

Financial sustainability is critical. How we achieve this is changing in an increasingly challenging funding environment, where aid and development resources are being distributed through a growing number of different government departments, foundations and private sector organisations. The financial picture for 2016/17 is positive. The surplus before interest payable for 2016/17 was £1,229k. This is made up of a deficit on unrestricted funds of £749k and a surplus on restricted funds of £1,978k.

The Institute continues to diversify its income streams and build its unrestricted income. Securing an impressive 105% increase in master degrees student numbers in 2016/2017 from 2015/2016 has been critical. The increase in tuition fee income of £480k this financial year due to the increase in student numbers has helped to reduce the unrestricted deficit for the year.

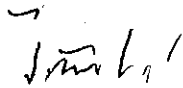
We were also delighted to be ranked first in the world, along with the University of Sussex, for development studies. This recognition of the quality and impact of our work will consolidate our reputation and contribute to student recruitment and other aspects of financial sustainability.

The Institute was also ranked fourth out of 130 international development think tanks in the 2016 Global Go To Think Tank Index Report, just behind Chatham House, the Brookings Institution and the Korean Development Institute, and fifth out of 90 university-affiliated think tanks. IDS continues to work to ensure the highest standards in relation to good governance and financial probity.

Chairman's Introduction

Our governance refresh has now been completed ensuring that we apply principles of best practice for a charity based in the UK yet globally anchored. We have also been awarded the highest rating, five stars, for funding transparency by Transparify in their report, How Transparent are Think Tanks about Who Funds Them 2016?

Overall it has been both busy and an exciting year, and one where IDS continues to underscore the value that social science has to make to addressing some of the world's most pressing global challenges.



Professor Jonathan Kydd
Chair

THE TRUSTEES' REPORT

The Trustees, who are also the directors for the purposes of company law, present their report together with the financial statements of The Institute of Development Studies (IDS) for the year ended 31 March 2017. The trustees' report has been prepared in accordance with Part 8 of the Charities Act 2011 and the statement of recommended practice (SORP). It also meets the requirements for a Directors' Report set out in the Companies Act 2006. Sections on "Report on progress against strategic priorities", "Financial report for the year", "Future plans" and "Principal risks and uncertainties", included within the trustees report, meet the requirements for a strategic report as outlined in 'The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013'.

The financial statements have been prepared in accordance with the accounting policies on pages 35 to 38 of the attached financial statements, and comply with the charitable company's memorandum and articles of association, applicable laws, and the requirements of the Statement of Recommended Practice "Accounting and Reporting by Charities" as issued in March 2005.

STRUCTURE, GOVERNANCE AND MANAGEMENT

Constitution

IDS is a registered charity and company limited by guarantee, and does not have share capital. The Trustees have no financial interest in the Institute's income funds or assets and receive no remuneration for acting as Trustees. Trustees who are employees only receive remuneration for their service as employees.

The Board of Trustees is constituted as follows:

The Vice-Chancellor of the University of Sussex (ex-officio).

The Director (ex-officio).

Not more than two Fellows of the Institute.

Not more than one employee of the Institute (who is not a Fellow, an Honorary Fellow or Visiting Fellow).

Not more than 16 persons in total.

IDS is governed by its Articles of Association as approved by its board in March 2016.

Trustees' liability

In the event of the charity being wound up, Trustees and those within one year of ceasing to be a Trustee are required to contribute an amount not exceeding £1.

THE TRUSTEES' REPORT (CONTINUED....)

Trustees

The Trustees at 31 March 2017 were as listed under the reference and administrative information on page 1. The following changes occurred during the year.

Trustees

Resignation or end of term of office

Ms H Corbett	31 July 2016
Professor Y Shao	31 July 2016
Professor A Olukoshi	31 July 2016
Professor M Farthing	31 August 2016
Professor E Dagnino	31 December 2016

Appointed

Dr A Cheema	1 August 2016
Ms T Manuh	1 August 2016
Mr M Anderson	1 August 2016
Ms E Wilson	1 August 2016
Professor A Tickell	1 September 2016

New Trustees are appointed by the members based on nominations received from employees and current Trustees as well as responses to public advertisements. The Nominations Committee is responsible for screening candidates and making recommendations to the Board of Trustees. The Board has agreed that the Trustees should reflect the diversity of the Institute's objectives and geographical remit and have relevant skills and knowledge, and aims to make appointments on that basis.

New Trustees undergo an induction process to familiarise themselves with the Institute's work and their legal responsibilities and duties. Appropriate training is provided to Trustees on an ongoing basis.

Statement of Trustees' responsibilities

The Trustees are also directors of IDS for the purposes of company law. They are responsible for preparing the trustees' report and financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

THE TRUSTEES' REPORT (CONTINUED....)

Company law requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charity and of the incoming resources and application of resources, including the income and expenditure, of the charity for that period.

Under company law the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charity and of the incoming resources and application of resources, including the income and expenditure, of the charity for that period.

In preparing these financial statements, the Trustees are required to:

- Select suitable accounting policies and then apply them consistently.
- Observe the methods and principles in the Statement of Recommended Practice (Accounting and Reporting by Charities) (the Charities' SORP).
- Make judgements and estimates that are reasonable and prudent.
- State whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in operation.

The Trustees are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charity and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Each of the Trustees confirms that:

- So far as the Trustee is aware, there is no relevant audit information of which the charity's auditor is unaware.
- The Trustee has taken all the steps that they ought to have taken as a Trustee in order to make themselves aware of any relevant audit information and to establish that the charity's auditor is aware of that information.
- This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

The Trustees are responsible for the maintenance and integrity of 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.

THE TRUSTEES' REPORT (CONTINUED....)

Organisation

The IDS Board of Trustees meets three times a year. The Board has established the following sub-committees:

- ♦ **Resources and Audit Committee** meets three times a year and has responsibility for oversight of finance, administrative matters, and strategic HR issues, reviewing the results from internal audit work and maintaining an overview of the risk and control environment. The Constitution of the Resources and Audit Committee allows for three non-trustee members who bring additional expertise and experience.
- ♦ **Nominations Committee** meets as necessary and is responsible for identifying potential Trustee candidates and making recommendations to the Board of Trustees on potential appointments.
- ♦ **Remuneration Committee** meets as necessary and is responsible for maintaining an overview of senior staff remuneration; determining the remuneration of the Director and senior staff.
- ♦ **Programme Advisory and Review Committee** meets twice a year and is responsible for maintaining an overview of the academic health and performance of the Institute; providing assurance to the Board that mechanisms and systems are in place for effective management and delivery of research, teaching and knowledge activity; and for scrutinising and advising the Board on progress towards the relevant strategic goals and key themes.

The day-to-day running of the Institute is delegated to the Director who leads the Strategic Leadership Group (SLG). During 2016/2017 it has met monthly and membership comprises the Director, the Director of Strategic Operations/Company Secretary, the Director of Research, the Director of Teaching and Learning and the Director of Communications and Impact.

Employees

The charity strives to be an equal opportunities employer and aims to ensure that no job applicant or employee receives less favourable treatment on the grounds of age, race, colour, nationality, ethnic or national origin, gender, marital status, sexual orientation, disability, religious belief or similar philosophical belief. The Board includes two Staff Trustees elected by the staff as a whole.

Remuneration

The IDS Remuneration Committee described above meets as necessary. The Committee takes account of data on national pay trends. It benefits from the contribution of a senior independent member with significant relevant experience in Higher Education reward.

THE TRUSTEES' REPORT (CONTINUED....)

IDS operates a 10 grade salary scale, with a mixture of automatic incremental progression for the lower grades and performance-related pay. Department and Unit Heads, Cluster Leaders and the Director are responsible for agreeing performance-related incremental progression within the scale for each grade. IDS is currently reviewing its reward framework to ensure it is fit for purpose. It also commissions regular salary surveys to benchmark itself against other organisations and markets, and an equal pay review.

The salaries of the key management personnel of the Institute are disclosed in note 5 to the accounts. The members of the Strategic Leadership Group (SLG) are considered to be the key management personnel of the Institute.

Related parties

IDS is based in a building on the University of Sussex site and there are a number of shared services. During the year IDS paid £658,000 (2015/16 - £666,000) for services and received £2,044,000 (2015/16 - £1,616,000) from the University in respect of tuition fees and other income. All transactions were carried out at arm's length and all amounts were in the normal course of the Institute's activities.

The Vice-Chancellor is an ex-officio member of the Board of Trustees.

Other related party transactions are disclosed in note 16 to the financial statements.

STRATEGIC REPORT

The Institute is now approaching the mid-way point of its five year strategy which was published in 2015 and can be viewed at <http://www.ids.ac.uk/about-us/our-vision-and-strategy>

Strategic Goals

The strategic goals of the Institute set out in the strategy are:

1. Contribute to transformations that reduce inequalities, accelerate sustainability and build inclusive, secure societies.
2. Embed engaged excellence and its four pillars across all that we do.
3. Work locally and globally within a universal framing of development.
4. Create an institute that is thriving financially and organisationally, and living its values.

Our Vision

Our vision is of equal and sustainable societies, locally and globally, where everyone can live secure, fulfilling lives free from poverty and injustice.

Our mission

We believe passionately that cutting-edge research, knowledge and evidence are crucial in shaping the changes needed for our broader vision to be realised, and to support people, societies and institutions to navigate the challenges ahead. But dynamic global contexts and challenges require new kinds of research and knowledge, developed and shared in new ways.

Through our commitment to engaged excellence applied across the interlinked areas of research and knowledge, teaching and learning, and communications and impact, we will work locally and globally in mutual learning towards transformations that reduce inequalities, accelerate sustainability and build more inclusive and secure societies.

Working in partnership to address global challenges

Our 2015-2020 strategy is underpinned by a focus on the three defining challenges of our era that IDS has identified – reducing inequalities, accelerating sustainability and building more inclusive, secure societies. Framing papers that set out the three challenges in more details are available at the following link: <http://www.ids.ac.uk/about-us/our-vision-and-strategy>

Reducing inequalities including economic, social and political inequalities that intersect and threaten to undermine future progress in reducing poverty, and ensure that the benefits of global economic growth more evenly contribute to the improved livelihoods and wellbeing of communities everywhere.

Accelerating sustainability to meet the urgent challenges of environmental and climate change by restructuring economies and societies and finding development pathways that address global demand for resources while securing local livelihoods and justice in an increasingly pressurised and urbanised world.

STRATEGIC REPORT (CONTINUED....)

Building inclusive and secure societies where citizens are protected against threats from conflict as well as environmental, economic, political and social shocks, and feel that they have a stake in the governance of the communities in which they live.

We will develop and apply our engaged excellence approach, including strengthened global partnerships, to ensure our work contributes substantially to meeting these challenges.

What is engaged excellence?

Engaged excellence is IDS' distinctive approach to constructing and mobilising knowledge, and to teaching and mutual learning for development. Engaged excellence means that the high quality and impact of our work depend upon us engaging and working with governments and parliaments, international NGOs and local civil society, communities and citizens to achieve positive transformative change and ensure evidence and knowledge strategically inform that process.

Our engaged excellence approach helps us to contribute to development progress through:

- changes to policy and practice
- shifts in behaviours and attitudes
- improving the capacity of others to generate, access and apply research and knowledge (particularly in developing countries)
- strengthening networks to address global challenges.

IDS is committed to enabling engaged excellence in constructing and sharing knowledge for development as widely as possible and supports its members (and any partner organisations) in making their work available as Open Access. This commitment is more fully articulated in our Open Access policy which can be viewed at <http://www.ids.ac.uk/publications/copyright-and-permissions/open-access-policy/open-access-policy>

We produce outputs and engage with others using a wide range of modes and methods, ranging from evidence to Parliamentary Select Committees to accessible online platforms, from individual researcher blogs to Brighton Festival Fringe events, from articles in prestigious peer-reviewed journals to policy advice to government and civil society actors.

PROGRESS AGAINST STRATEGIC PRIORITIES

Below, we set out just a selection of our key achievements from the last year and how the Institute is making progress against its four strategic goals. This builds on the examples already set out in the Chairman's Introduction.

1. Contribute to transformations that reduce inequalities, accelerate sustainability and build inclusive, secure societies

Collaboration on tax research in Africa sees engaged excellence in action

Organisations that collect taxes necessarily collect a great deal of data. This 'administrative tax data' is a highly valuable resource for research into inequality, taxation and labour markets. It has been virtually unused for research in Africa – until now. The International Centre for Tax and Development (ICTD), based at IDS, has partnered with revenue authorities in Ethiopia, Uganda and Rwanda on three pioneering research projects using administrative tax data.

Each project was proposed by the respective revenue authorities. Each resulted in robust policy-relevant findings, increased tax collection, improved administrative processes, and enhanced research capacity at the revenue authorities. After just one year, the revenue unit in Uganda has collected more than £4 million in additional revenue. In its October 2016 Research Review, the UK's Department for International Development (DFID) singled out the Uganda and Rwanda projects as 'high impact'.

At every stage of each project, the ICTD embraced the IDS engaged excellence approach. Staff at the respective revenue authorities co-designed the research to ensure that it addressed, in a realistic way, problems as they saw them. Relationships between ICTD researchers and revenue staff were built based on trust, understanding and patience.

Solving Africa's energy deficit through Green Growth Diagnostics

Sub-Saharan Africa faces a huge electricity deficit, making it the only region in the world where the number of people without access to modern energy is set to rise. Despite hosting some of the world's fastest-growing economies, the quality of supply for those who have access is low, with frequent black-out periods that have negative impacts on business performance and quality of life.

Green Growth Diagnostics set out to understand what is blocking investment in renewable energy in Africa, where the potential, whether through solar, hydro, wind or geothermal, is vast. Findings from the project are designed to help policy makers identify key obstacles to investment, and deliver effective reforms to remove these. The project takes a multi-disciplinary approach derived from the unique team behind it – power system engineers, macro-economic modellers, economists, energy and finance experts, working as a consortium based in Ghana, Kenya and at IDS.

Their aim is to bring fresh insights to a seemingly intractable problem. African countries do have policies supporting renewable energy investment and technology, often backed by pledges from donors and international financiers. But these seem either not to be implemented fully, or are failing to target the most binding constraints on investment.

PROGRESS AGAINST STRATEGIC PRIORITIES (CONTINUED....)

The project's over-arching aim is to apply research to real-world political problems to produce workable reforms. Project events in Ghana, Kenya and London show that these findings are already reaching policy circles in energy and investment for both African countries. Dr Ana Pueyo from IDS was among team members presenting findings in January 2017 at the Wellcome Trust, while Dr Timothy Afful-Koomson, Principal Green Growth

Officer of the African Development Bank and Eng. Titus Ndonga Gitahi of the Renewable Energy Directorate, Kenyan Ministry of Energy, were keynote speakers at workshops in Ghana and Kenya.

Ensuring technology benefits the world's poorest

Technological innovations from mobile phones to vaccines have clearly helped to advance development over the years. However these successes have often led to attempts simply to transfer high-tech solutions into development settings with little regard for context or complexity. When this happens, the solutions can fail to benefit those who most need them – poor and vulnerable communities.

The UK's Department for International Development (DFID) commissioned IDS to explore the current state and potential of novel technologies to address development challenges. What began as a small-scale research remit has now evolved into an innovative three-year programme to pilot a number of the research recommendations and featured technologies.

Led by the Digital and Technology Cluster, the research reviewed ten frontier technologies in five areas – manufacturing and consumption, connectivity, transportation and logistics, fresh water, and clean energy and air. To present the research, the team produced a landmark report *Ten Frontier Technologies for International Development*, with compelling 'what's next' recommendations. In order to maximise engagement with the findings, the report was delivered to DFID through a series of engaging workshops. Over the next three years, DFID will pilot some of the recommendations and technologies from the report as part of its Frontier Technologies Livestreaming initiative.

2. Embed engaged excellence and its four pillars across all that we do

Strong ties across campus help make Sussex a world leader for development studies

One of IDS' most important partners is the University of Sussex. As the awarding body for IDS Masters courses and PhDs, the University is central to our teaching programme. IDS also collaborates closely with the University across a wide-range of research and knowledge-sharing activities. These strong partnerships across University schools and IDS have helped make us a recognised world leader in our field. The QS University Rankings 2017 ranked the University of Sussex with IDS as first in the world for development studies.

IDS is a core member of the recently established Sussex Sustainability Research Programme (SSRP) which aims to build on distinctive strengths in sustainability research and policy engagement from IDS and the School of Life Sciences; School of Global Studies; School of Business Management and Economics; and the School of Law, Politics and Sociology. In parallel, IDS is an active member of the Climate@Sussex research group, which brings together the SSRP alongside the Department of Geography and Climate Research,

PROGRESS AGAINST STRATEGIC PRIORITIES (CONTINUED....)

Sussex Energy Group, Science Policy Research Unit (SPRU) and the jointly led ESRC STEPS (Social, Technological and Environmental Pathways to Sustainability) Centre.

Reaching new actors through capacity building for new African scholars

During the past year, IDS worked in an innovative partnership with the MasterCard Foundation to support young African scholars to bring their research into policy-relevant processes. The Matasa Fellows Network sought to connect the work of new PhD students to the politics and dynamics of policy processes, which to date has been largely absent from PhD training programmes.

The 2016 Matasa Fellows were drawn from across the fields of economics, political economy, anthropology, sociology and geography. Ten fellows were selected from among more than 200 candidates. All have a scholarly focus on the broad topic of youth employment in sub-Saharan African countries. To make headway on the youth employment challenge in Africa, perspectives from a variety of academic disciplines are required alongside a commitment to the idea of putting research to use, through policy, for the benefit of Africa's youth. Research, particularly that produced by African researchers on African problems, will enhance understanding of the challenges as well as provide insights on how to tackle them. The programme equipped a network of young African researchers with the skills and dedication to make a positive contribution to policy around youth employment in Africa and ultimately to become leaders in their chosen fields.

3. Work locally and globally within a universal framing of development

In addition to our work on the global impact of inequalities and of digital technologies, IDS continues to provide new insights and analysis around the universal agenda of the Sustainable Development Goals which has implications for all countries.

In the second phase of the Participate Initiative, the Participatory Monitoring and Accountability (PMA) programme is working to support policymakers, civil society, volunteer groups and citizens to take action to implement a participatory monitoring approach under the framing of the SDGs.

We have also contributed written and oral evidence to a number of UK parliamentary select committees inquiries on the implementation of the SDGs in the UK, including the Environmental Audit Committee and the International Development Select Committee.

4. Create an institute that is thriving financially and organisationally, and living its values

The financial position of the Institute was forecast to be particularly challenging this year largely as we were transitioning from a set of large, long-term programmes with stable funding at a time when the funding environment is becoming increasingly challenging. The positive financial picture of 2015/16 has continued into 2016/17 with the Institute generating a surplus of £1,229k (before the loss on revaluation of the pension scheme liability). Although the deficit that the Institute had forecast has not materialised this is due largely to the accounting requirement to recognise all restricted income when it is deemed

PROGRESS AGAINST STRATEGIC PRIORITIES (CONTINUED....)

certain to be received. The overall surplus of £1,112k comprises £1,961k of restricted funds surplus and an unrestricted funds deficit of £849k. The surplus for restricted funds will be spent over future years. The performance in teaching was particularly pleasing with record student numbers and a surplus of £55k.

The Institute is taking steps to increase its unrestricted funding and to diversify its income.

The Computer and Technical Services department has completed a refresh of policy related to ICT security and has created a comprehensive action plan to improve digital security practices across the Institute. This is in the context of a more digitally connected and online world with an increased incidence of security data breaches impacting high profile organisations. Additionally the Institute has encountered a number of data protection issues in the last 18 months and we have given an undertaking to the Information Commissioner that we will raise awareness of the issue.

The action plan includes a whole raft of measures including commissioning a bespoke data protection course, redesigning protection measures for IDS hosted websites and performing regular system security reviews which will include periodic penetration testing of our externally facing systems to test their resilience to external threats. Other activities in support of this goal include improving operational efficiencies in provisioning user accounts via an automated scripting environment. This ensures that all account management activities in our technically complex cloud environment are actioned in a consistent manner.

The Institute has taken a fresh look at health, safety and wellbeing. A new policy has been developed, and several building initiatives have been undertaken to ensure we meet our obligations, particularly around fire risk. We are using external expertise to assist us with identifying future priorities and are identifying training needs, which will be delivered through face-to-face and online modules. A committee supporting these activities and including trade union representatives is also being revived.

These activities add a stronger policy context and greater structure to the range of work we already do to ensure the health, safety and wellbeing of our staff. Our Employee Assistance Programme is now embedded, with usage covering a range of aspects including financial, legal, health and counselling provision. We are getting very positive feedback about the value of the service to our staff.

The new online travel booking system, introduced in December 2016, includes features which enhance our ability to assess travel-related risk and provide real-time information to managers and staff to ensure they are safe and well informed when carrying out work abroad.

This year we have successfully carried out a number of initiatives to improve the environment and building management practices within the Institute. We have undertaken large capital projects; improved our cleaning standards and waste management practices; and we have reviewed and improved our building maintenance programme.

PROGRESS AGAINST STRATEGIC PRIORITIES (CONTINUED....)

In the summer we completed the Octagon washroom refurbishments providing much needed bright, clean and contemporary facilities on the second floor. In autumn we designed a new cleaning specification for the building, vastly improving service standards throughout. The scope of cleaning provision in the building was also extended to include areas which have been neglected previously such as windows, fridges and other 'deep cleans'. And finally, we implemented a new zero landfill waste management scheme removing individual waste bins throughout the building with the aim of reducing the volume of non-recycled waste by 50%.

The Fundraising and Development Office has continued through the year to consolidate its new structure and to embed new working processes in order to provide more value across the organisation. This has primarily entailed efforts to create a more centralised position within the Institute from which to support all fundraising activity as well as communicating more systematically across the organisation about the ways in which this support can be delivered.

A new Fundraising Strategy was approved at the summer meeting of the Board of Trustees and has since been introduced and communicated across the institute. The new strategy was designed to include eight key recommendations: building relationships; scanning horizons; programming; building systems; partnership management; engaging alumni; cultivating major donors; and planning a fundraising campaign. These broad areas have been distilled into a rolling action framework and implementation has been significantly progressed already on all fronts.

The fundraising strategy presents a new operational structure for the Fundraising team which has been bedding in over the course of the year. The team continues to make all the clusters and various units aware of the implications of adding in new approaches to fundraising in the ways set out in the strategy.

IDS is committed to ensuring the highest level of accountability and transparency regarding the funding we seek and receive, as set down in our funding ethics policy. Transparify has recognised this commitment in their global rating of the financial transparency of major think tanks. It awarded IDS the highest five-star transparency rating.

In 2016 IDS launched an innovative online course – mHealth, Health Systems and Development. IDS Director of Teaching and Learning Linda Waldman convened the five-week course, which introduced the 30 participants to the concept of mHealth (mobile health: the provision of health services through the use of mobile devices). It explored some of the wider debates about the implications of the increasing use of mobile technology in health systems globally.

QUALITY, IMPACT AND PUBLIC BENEFIT

Engaged excellence is IDS' distinctive approach to constructing and mobilising knowledge, and to teaching and mutual learning for development.

Engaged excellence means that the high quality and impact of our work depend upon us engaging and working with governments and parliaments, international NGOs and local civil society, communities and citizens to achieve positive transformative change and ensure evidence and knowledge strategically inform that process.

Our engaged excellence approach helps us to contribute to development progress through:

- changes to policy and practice
- shifts in behaviours and attitudes
- improving the capacity of others to generate, access and apply research and knowledge (particularly in developing countries)
- strengthening networks to address global challenges.

Our research, as demonstrated elsewhere in this report, developed in partnership continues to make a real contribution to tackling some of the world's most pressing global changes. For example helping bring an end to the Ebola Outbreak, contributing new insights and analysis into how inequalities negatively impact on societies all over the world and how they could be addressed and bringing young African researchers work to bear on addressing the challenge of youth unemployment across the African continent.

Our research activity is subject to formal peer review and scrutiny to test its quality and to demonstrate its value and impact. This includes scrutiny via the work of the Fellowship Review and Promotion Board, which reviews the performance of each research Fellow on a four-yearly cycle and which includes external senior peers; and also extensive and demanding scrutiny by funders. Many of the contracts IDS receives are awarded on the basis of open competition. Almost without exception, contracts include appropriately demanding expectations for reporting and engagement and requirements for accountability.

In April 2017, the University of Sussex with IDS was ranked first for development studies in the world by the QS World University Rankings reflecting the academic reputation, quality, impact and range of international development research undertaken and courses delivered by departments and organisations across the Sussex campus including IDS. It was previously ranked second in 2016 and first in 2015.

Part of the monitoring, evaluation and learning framework built to assess progress against our new strategy attends specifically to measuring the value and impact of our work. This framework sits alongside programme-specific monitoring and evaluation frameworks required by individual funders and our own quarterly profile report which measures media, social media and public reach and engagement. A MEL framework report is prepared for the Board on a yearly basis, and as part of this a profile indicator has been developed which benchmarks our profile in relation to our competitors.

QUALITY, IMPACT AND PUBLIC BENEFIT (CONTINUED....)

IDS continues to actively contribute to development debates within the UK and has provided both written and oral evidence to a number of UK Parliament Select Committee inquiries that have taken place.

In July 2016 we also hosted our 50th anniversary conference which brought together academics, policy makers and civil society representatives from across the globe to contribute to a wide-ranging discussion on the future of development thinking, policy and practice and the connections between them.

In 2016 and 2017, IDS' work has been recognised in two high profile awards. The Ebola Response Anthropology Platform (ERAP) and the related Ebola: lessons for development initiatives led by Professor Melissa Leach at the Institute of Development Studies (IDS) won the prestigious Economic and Social Research Council (ESRC) Outstanding International Impact Prize for their rapid and effective response during the epidemic.

In 2017, IDS' work on ebola was also a finalist for the BOND (the UK NGO-network) Collaboration Award. You can view the video submitted to the awards at <http://www.ids.ac.uk/idsresearch/ebola>

2016/17 saw the culmination of the major 57-month programme, Strengthening Evidence-Based Policy, funded by UK Aid, which generated and synthesised policy-relevant evidence, and contributed to policy processes around seven major themes, including: food and nutrition; addressing and mitigating violence; empowerment of women and girls; pro-poor electricity provision; rising powers in international development; sexuality, law and development; and policy anticipation, response and evaluation. Programme publications included:

- 222 Evidence Reports
- 46 Evidence Report Briefs
- 85 IDS Policy Briefings
- 16 Rapid Response Briefings
- 42 Practice Papers

Over a year from re-launching the *IDS Bulletin* is an open access and peer-reviewed journal exploring emerging international development challenges we have published eight bulletins including 75 articles. We continue to work hard to ensure that we have a high proportion of contributors to the journal from the Global South. 36% of our contributors this year were from the Global South. As well as delivering seven world class MA programmes and a PhD programme, IDS expertise is being shared in a number of innovative ways as part of its programme of professional development courses that reach out to busy development professionals and policymakers, in some cases, in situ.

IDS has an extensive range of global networks and communications channels. It now has over 174,000 Facebook fans and over 55,000 twitter followers. In the last year we have also seen a 22% increase in our mentions in domestic and international media.

The Institute aims to explore solutions to global challenges including inequality, sustainability and security through the co-creation and sharing rigorous research and its teaching and learning programme. In doing so it hopes to improve the lives and wellbeing of the most vulnerable and marginalised people.

QUALITY, IMPACT AND PUBLIC BENEFIT (CONTINUED....)

The Trustees have had due regard to the Charity Commission's general guidance on public benefit when considering the Institute's objectives and planning its activities.

Specifically, the Institute carries out its charitable objectives through:

- ◆ Collaborative research in partnership with individuals and organisations often from Southern countries which ensures that the voices of the South are heard in debates about the direction and content of development research.
- ◆ A vibrant, acclaimed and high-demand teaching programme, sharing and constructing ideas across disciplines and enabling post graduate students and researchers to access and engage with those in the world of development and beyond and to make a real difference to development practice.
- ◆ Contributing to change by communicating, influencing and sharing information to help people understand and make sense of the complexities and realities of global challenges such as inequality, sustainability and security and the ways in which these can be addressed effectively.

By focusing on these areas the Institute aims to:

- ◆ Contribute to transformations that reduce inequalities, accelerate sustainability and build inclusive secure societies.
- ◆ Help reframe development as progressive economic, social and political change for everyone everywhere

To help ensure that the Institute's work is properly informed by the needs, experiences and views of the target beneficiaries and users of its work, IDS:

- ◆ Collaborates with its network of global partners on research and knowledge work, especially those based in the global south.
- ◆ Carries out regular assessments of our impact, including through the views of our stakeholders.
- ◆ Carries out regular teaching reviews to ensure the continued relevance and quality of the Teaching programmes.
- ◆ Draws on its alumni to sustain a global network of development professionals and practitioners who take a lifelong interest in the Institute and share their experience and expertise within the development community and wider world as well as the Institute.
- ◆ Ensures that its Board of Trustees reflects IDS' global remit.

Examples of IDS' contribution to public benefit in 2016/2017 have been included throughout this report. Some of the key public benefit achievements in 2016/2017 are:

- ◆ Enabling access to its courses by offering a number of scholarships, including a PhD researcher scholarship, and seeking to secure new funding for our scholarships.
- ◆ Creating a new alumni network online platform which has helped to foster better links between us and our alumni.

QUALITY, IMPACT AND PUBLIC BENEFIT (CONTINUED....)

- ◆ Continuing to support the publication of the IDS Bulletin as a gold open access publication and the IDS open access repository IDS OpenDocs, making critical development knowledge more readily accessible and available to all.
- ◆ Increasing the use of online technologies to make our events and training courses on important development issues more easily accessible by audiences irrespective of where they are based.

FINANCIAL REPORT FOR THE YEAR (CONTINUED....)

The Institute has achieved a surplus on funds of £1,229k, however this is made up of a deficit on unrestricted funds of £749k and a surplus on restricted funds of £1,978k with an associated rise in restricted funds held at the end of the year of £1,961k. This means that the Institute has recognised restricted funds during the year which will be spent over future years.

Total income for the year was £23.1m, compared to £22.6m in 2015/16; an increase of £0.5m (2.2%) over the previous year. A large proportion of IDS' commissioned studies, research and knowledge services income is project-specific restricted funding - £8.7m in the year (2015/16 - £9.6m). Much of this funding is received in advance but is required by the Charity SORP to be included as income at the time of receipt rather than deferred to future periods even if expenditure will be incurred in those periods. The value of restricted programme funding received but not expended prior to 31/03/2017, and which does not form part of the charity's available reserves, was £5.1m (2015/16 - £3.1m).

The results for 2016/17 also reflect the costs of a number of redundancies as a result of the changing patterns of activity including the end of the DfID AURA programme.

Unrestricted commissioned studies, research and knowledge services income amounted to £12.1m, compared to £11.2m in 2015/16 an increase of £0.9m. Expenditure on commissioned studies, research and knowledge reduced by £0.8m to £19.3m (2015/16 - £20.1m).

Teaching income increased significantly as a result of the increased student numbers from the teaching strategy rising 24.4% to £1,968k from £1,488k in 2015/16. Total teaching expenditure increased 30.4% to £1,913k (2015/16 - £1,467k).

Under the charity's memorandum and articles of association no part of the income or property of the charity can be distributed to the members.

Balance sheet

Net current Assets totalled £10.1m (2015/16 - £8.8m) with £5.4m (2015/16 - £4.8m) held as Current Asset Investments. Total reserves were £7.5m (2015/16 - £6.4m) consisting of £2.4m (2015/16 - £3.2m) unrestricted and £5.1m (2015/16 - £3.2m) restricted.

Financial Reserves policy

The Board of Trustees reviews the level of reserves on an annual basis in line with its Reserves Policy.

The aim of IDS' Reserves Policy is to ensure that its ongoing and future activities are reasonably protected from unexpected short-term variances in income and expenditure.

The reserves are held under a number of different categories:

- Unrestricted funds – General funds: These are available to be spent at the discretion of the trustees, to any of the Institute's charitable purposes.

FINANCIAL REPORT (CONTINUED....)

- Unrestricted funds – Designated funds: These funds are available to be spent to any of the Institute's charitable purposes but have been designated by the Trustees to meet a specific purpose of the Charity in the future.
- Restricted funds – These funds are used in accordance with the specific restrictions imposed by the funders. These funds are set out in the notes to the financial statements. At the end of 2016/17 we had a total of £5.2m restricted funds (2015/16 - £3.2m).

The Institute has five designated funds which are held separately from the general funds. Each of these has a specific purpose as designated by the Trustees. An explanation of each reserve and when it would be expected to be spent.

- ♦ Capital fund – This fund is used to reflect the purchase and depreciation of tangible fixed assets when they are purchased out of the general income of the Institute. The fund is equal to the net book value of the Institute's fixed assets (less the restricted deferred income reserve).
- ♦ Strategic development fund – This fund was set up to fund the strategic changes that the Institute is currently undertaking which include the Governance review. The balance at the end of 2015/16 was £177k, £128k was spent in 2016/17 and it is expected that the remaining £49k will be spent in 2017/18.
- ♦ Building development fund – The building development fund exists to enable the Institute to complete any emergency or essential building works or repairs which may be necessary and cannot be funded from that year's capital budget. The Institute is likely to need to draw on this to repair its roof in either 2017/18 or 2018/19, and to respond to a planned building condition survey.
- ♦ Closed accumulated time fund – This fund was set up when the Accumulated time fund closed at the end of 2012/13. It reflects the amount of time that is available to fellows to be used. The amount that is left in the fund at the end of 2016/17 has to be used by the end of 2017/18.
- ♦ Scholarship fund – The scholarship fund has been fully spent on scholarships in the financial year. Any future unrestricted donations that the Institute receives will be designated into a general donations fund and the spend from the fund will be determined by the Institute.

The general funds of the Institute are held to meet the cash flow of the Institute should there be an unexpected fall in its income or funding. The balance of the reserve at the end of 2016/17 is £1,035k, if the pension reserve is added to the general reserve the balance is £4,842k.

FINANCIAL REPORT (CONTINUED....)

It is the Board's view that £2.5m should be held in reserve to ensure the work of the organisation can continue without disruption in adverse circumstances. This amount has been calculated after reviewing the organisation's risk register and determining the greatest threats to income, expenditure and asset. The pension liability represents the discounted value of the deficit funding requirements over 14 years for the USS pension and 8 years for USPAS and does not imply a significant constraint over the use of the reserves for the foreseeable future other than to ensure monthly contributions are met which are budgeted for accordingly.

Investment policy

The overriding principle guiding the investment of surplus cash balances is the preservation of the capital value of the Institute's resources. The objective for investments is to achieve the best possible return whilst minimising risk. When returns are so low, this is challenging and means that capital growth is minimal.

During the year the management of the Institute's investments moved from Royal London Asset Management Limited to CCLA. Investment performance is regularly reviewed by the Trustees. The Trustees have continued in 2016/17 with the policy agreed in 2007/08 to use only fixed interest instruments for investment purposes.

Using agreed instruments a return of £22k (2015/16 - £29k) was achieved in 2016/17.

Accounting for Pensions

The new charity SORP has changed the way that all charities are required to reflect their pension liabilities in their accounts. The new SORP requires that charities make provision for the value of their pension fund liabilities on their balance sheet. All charities with any significant pension scheme deficits will therefore be reporting significant changes in their accounts. The actuarial loss on the pension fund for 2016/17 is £117k. This leaves the Institute with an unrestricted reserve of £2,365k. The USS pension is currently being revalued so there may be a significant movement as a result of this in 2017/18.

There are two significant factors when scrutinising the pensions-related figures in the Institute's financial results. First, the obligation is to meet the ongoing cost of recovery plans or their equivalent, not the full liability. The Institute is fully meeting its obligations to both these schemes.

Secondly, both schemes have costed plans in place to manage their deficits. The USPAS pension scheme recovery plan has been in place for several years. As noted above, the latest valuation has resulted in a reduced liability. The most recent USS revaluation in 2014 resulted in a number of changes to both the benefits and the contributions to be made to the scheme which should result in future liabilities being reduced.

More detail on the pension is provided in note 15 to the accounts.

FINANCIAL REPORT (CONTINUED....)

Going concern

The Institute is well-placed to manage the business risks we face. Whilst we work in an increasingly competitive financial environment we have a sound financial base on which to build and we have made investments to securing our future by setting out a clear strategy supported by effective financial planning. This strategy is having an impact on the work we do, our reputation and our competitive positioning. It builds on the major assets of our reputation and the impact of our work over 50 years.

The budget for the forthcoming financial year has forecast a surplus, although this may be affected by spending from the restricted reserve next year. The UK General Election in June 2017 has also impacted on the flow of commissioned work, in particular from DfID. The pipeline for the forthcoming financial year still has significant amounts of income which need to be confirmed and will need to be monitored carefully going forward.

We have an adequate cash-flow, sufficient reserves, positive relationships with major partners and the proven ability to create new streams of work that resonate with funders. Our determination to diversify our income and reduce our reliance on DFID is supported by the new fundraising strategy that has been endorsed by the Board.

At the time of writing, the UK is about to hold a general election. The implications for the development and overseas aid agendas or following the Brexit vote, for our highly-valued international staff, our collaboration with partners in mainland Europe and beyond, and our student population are not yet clear. The Institute will monitor this situation closely and ensure that its decisions as a result of any Government or Brexit-led changes reflect our overall strategy and our values and vision.

Our planning processes continue to take into account prevailing economic and political circumstances. We have planned to meet our pension obligations. We will ensure that the Institute is able to break-even after the end of 2017.

We are therefore confident that the Institute is a going concern.

PRINCIPAL RISKS

The Trustees are responsible for the effective management of risk including approving the overall risk management policy and ensuring that a sound system of internal financial controls is in place and operating as designed. This will safeguard the charity's assets including its reputation.

The Institute has established an ongoing process for identifying, evaluating and managing the charity's key risks and systems that have been established to mitigate those risks. The systems of internal control are designed to provide reasonable, but not absolute, assurance against material misstatement or loss.

In particular there are clear procedures, roles and responsibilities for:

- ◆ Identifying and monitoring key strategic risks.
- ◆ Identifying, monitoring and managing key financial risks.
- ◆ Detailed appraisal and authorisation of proposals prior to submission for funding.
- ◆ Project management and post-completion research outputs.
- ◆ Financial accounting and management reporting.
- ◆ An annual review of the control environment.

The Resources and Audit Committee, on behalf of the Trustees, keeps under constant review the major strategic and operational risks the Institute faces, the control environment and the systems and procedures in place to mitigate the major risks. The Committee is supported in this work through access to expert advice and review from Crowe Clark Whitehill. Internal audit findings are reported directly to the Resources and Audit Committee and Trustees.

Financial risk management covers areas such as price risk, exchange risk, credit control risk, liquidity and interest rate cash flow risk. Each year, the Resources and Audit Committee considers a report that details major areas of financial strategy and progress in addressing key financial issues.

The key risks facing the Institute are:

- ◆ Refreshing our portfolio of research and knowledge activity with a new mix of funders. As noted above in the section on 'going concern' the Institute is at a particular point in its business cycle as we refinance a number of major programmes and develop new programmes with new funders. This places a premium on our ability to anticipate, shape and respond to funder priorities; and to forge and sustain relationships with them. In the UK, more government departments are involved in supporting the effective delivery of the 0.7% aid budget. This is changing the role for research and knowledge work and requires us to forge relationships beyond DFID, conventionally our major UK funder. At the same time, there is a debate within the UK government about the definition of 'aid'. Our new fundraising strategy, approved by the Board in summer 2016, is providing the platform for new relationships within the UK and globally.

PRINCIPLE RISKS (CONTINUED....)

- ◆ Working in different ways with new delivery partners. We continue to believe that some of the most effective research and knowledge work is that done with local partners. Just as the funder landscape is changing, so different research and knowledge actors are becoming involved in managing and delivering programmes. The Institute is evolving different ways of contracting with partners and forging effective relationships that maximise the contribution each can make to complex programmes and that manage the risks that this involves
- ◆ Investing in and managing change. Historically we have worked with fine margins as we are not profit-oriented and we – and our funders – are committed to achieving value for money so price pressures can be acute. This presents risks at a time of strategic and contextual change, when new providers enter the market with (superficially) lower prices and when we want to invest in organisational change.
- ◆ The June 2017 General Election in the UK following the 2016 US Presidential Election and the UK Brexit referendum are creating and reflecting a degree of political churn in key Western/Northern democracies. The impact on our international ambitions in particular for attracting students, recruiting and retaining staff and collaborating with mainland European partners all feel less certain than a year ago. At the least, there is a slowdown in DfID policy-making and decision-making on research streams.
- ◆ Like most if not all employers with a DB pension scheme, the cost of pension provision is a significant factor in our overall cost profile and our ability to compete on price. We anticipate a further valuation of the USS scheme in 2017/18 to be followed by sector discussions on ways of restructuring the scheme. These may involve some turmoil across the HE sector. Alongside this the Institute has started work to refresh its reward architecture. We have not done a complete refresh for a number of years and we will need to work hard to communicate with staff about the rationale for any changes and to plan and manage this project effectively.

FUTURE PLANS

The Institute is now approaching the midway point of its strategic period 2015-2020. Our vision, mission and goals for this period are set out above. We have developed and implemented a corresponding monitoring, evaluation and learning (MEL) framework to ensure we measure progress against the strategy in an effective and timely way, and to inform future planning and reporting. A report on the first year of the MEL framework was presented to the Board at the March 2017 meeting. We are also planning a mid-term review of the strategy in the forthcoming financial year.

We have planned to make our research and knowledge activities more sustainable and aligned with external demand for the rest of the strategic period. This has included a restructure of our communications and knowledge work which will be completed in the next financial year, and a more systematic approach to our proposal development in relation to our three core areas of work.

We will look to maintain and build on the significant increase in student numbers and to explore the potential for closer collaboration with the University of Sussex to improve our offer to students. We will continue to build on the successful programme of professional development courses and plan to grow the number of courses we offer and the number of participants.

The Institute will look to maintain its relationships with existing funders and partners such as DfID and the ESRC, and with new funders such as the Mastercard Foundation and the Wellcome Trust, as well as other UK Government departments who are now responsible for a growing proportion of the UKAid budget. A new fundraising strategy has been launched, which has already resulted in increased levels of scholarship funding for the next financial year.

The Institute will look to consolidate and improve our current financial position so we can maintain and build on current levels of income and academic activity. In doing so, we will ensure the highest quality academic outputs that demonstrate both real world impact and value for money for funders.

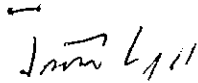
We have completed the first full cycle of meetings of our new Board structure and have made a number of new Board appointees. The new University Vice Chancellor has joined the Board as a Trustee and we have established a productive working relationship with him and his senior team to consolidate and extend our relationship with the University.

With Article 50 triggered, we will continue to work closely with partners including the University of Sussex to monitor the impact of the decision to leave the European Union on the higher education sector and directly on our staff and students. We will seek to mitigate the risks and understand the opportunities that Brexit presents to the Institute as a whole and staff and students on an individual basis. Our commitment to diversity and internationalism remains unchanged.

FUTURE PLANS (CONTINUED....)

This Annual Report of the Trustees under the Charities Act 2011 and the Companies Act 2006, was approved by the Board of Trustees on 3rd July 2017. Including approving in their capacity as company directors the Strategic Report contained therein, and is signed as authorised on its behalf by:

J Kydd
Chair

A handwritten signature in black ink, appearing to read 'J Kydd', with a horizontal line above it.

Approved by the Trustees on: 3rd July 2017

Independent auditor's report to the members of The Institute of Development Studies

We have audited the financial statement of The Institute of Development Studies for the year ended 31 March 2017 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and the related notes numbered 1 to 16.

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. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Trustees and auditor

As explained more fully in the statement of Trustees' responsibilities set out in the Trustees' report, the Trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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 Strategic report and the Trustees' 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 charitable company's affairs as at 31 March 2017 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion based on the work undertaken in the course of our audit:

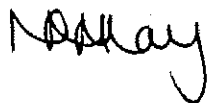
- the information given in the Strategic report and the Trustees Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Trustees Annual Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

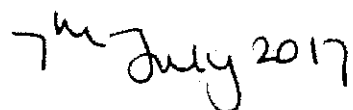
In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and the Trustees Annual Report

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

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



Nicola May
Senior Statutory Auditor
For and on behalf of
Crowe Clark Whitehill
Statutory Auditor
London



	Notes	Unrestricted funds £'000	Restricted funds £'000	2017 Total funds £'000	2016 Total funds £'000
Income and expenditure					
Incoming Resources					
Incoming resources from generated funds					
. Donations and legacies		-	30	30	29
. Income from investments	2	22	-	22	29
. (Loss)/gain on current asset investment		(6)	-	(6)	2
Income from charitable activities					
. Commissioned studies and research	1	12,127	8,658	20,785	20,725
. Tuition fees		1,968	-	1,968	1,488
. Publications, catering and accommodation		272	-	272	282
Total income and endowments		14,383	8,688	23,071	22,555
Resources expended					
Expenditure on raising funds		42	-	42	13
Expenditure on charitable activities					
. Commissioned studies and research		12,654	6,684	19,338	20,141
. Teaching costs		1,887	26	1,913	1,467
. Publications, catering and accommodation		437	-	437	428
. Interest payable –re pension provision		112	-	112	168
Total expenditure	3	15,132	6,710	21,842	22,217
Net income		(749)	1,978	1,229	338
Transfers between funds	12	17	(17)	-	-
Actuarial gain/(loss) on defined benefit pension schemes		(117)	-	(117)	1,480
Net movement in funds		(849)	1,961	1,112	1,818
Fund balances at 1 April 2016		3,214	3,192	6,406	4,588
Balances carried forward at 31 March 2017		2,365	5,153	7,518	6,406

There is no difference between the net income stated above and the historical cost equivalent. All of the charity's activities derived from continuing operations during the above two financial periods.

The charity has no recognised gains and losses other than those shown above and therefore no separate statement of total recognised gains and losses has been presented.

Balance sheet as at 31 March 2017

	Notes	2017 £'000	2017 £'000	2016 £'000	2016 £'000
Fixed Assets					
Tangible Assets	7		1,301		1,381
Current Assets					
Debtors	8	6,021		6,447	
Current asset investments	9	5,357		4,815	
Cash at bank and in hand		2,032		1,350	
		<u>13,410</u>		<u>12,612</u>	
Creditors: amounts falling due within one year	10	<u>(3,339)</u>		<u>(3,763)</u>	
Net current assets			10,071		8,849
Creditors: amounts falling due after one year	11		<u>(47)</u>		<u>(65)</u>
Net assets excluding pension liabilities			11,325		10,165
Defined benefit pension liability	14		<u>(3,807)</u>		<u>(3,759)</u>
Total net assets			<u>7,518</u>		<u>6,406</u>
Represented by:					
Funds	12				
<i>Income funds:</i>					
Unrestricted funds					
• Designated funds		1,330		1,541	
• General reserve		<u>4,842</u>		<u>5,432</u>	
		6,172		6,973	
• Pension reserve		<u>(3,807)</u>		<u>(3,759)</u>	
			2,365		3,214
Restricted funds			<u>5,153</u>		<u>3,192</u>
			<u>7,518</u>		<u>6,406</u>

Approved by the Trustees
and signed on their behalf by:

J Kydd
Trustee



G Davies
Trustee



Company registration number 877338 (England and Wales)

Approved on: 3rd July 2017

Cash flow statement Year to 31 March 2017

	Notes	2017 £'000	2016 £'000
Net cash inflow/(outflow) from operating activities	A	1,459	(184)
Cash flows from investing activities:			
Interest received		22	29
Interest payable		(112)	(168)
Purchase of tangible fixed assets		(145)	(244)
Purchase of investments		(5,872)	(2,959)
Proceeds from the sale of investments		5,324	2,050
Decrease/(increase) in value of investments		6	(2)
Decrease in short term deposits		-	100
		(777)	(1,194)
Net (Decrease)/increase in cash	B	682	(1,378)
Cash balances at 1 April 2016	B	1,350	2,728
Cash balances at 31 March 2017	B	2,032	1,350

Notes to the cash flow statement for the year to 31 March 2017

A *Reconciliation of net movement in funds to net cash outflow from the Institute's activities*

	2017 £'000	2016 £'000
Net movement in funds	1,112	1,818
Investment income	(22)	(29)
Interest payable on pension liability	112	168
Loss on disposal of fixed assets	25	9
Depreciation	200	221
Decrease/(increase) in debtors	426	(1,153)
(Decrease)/increase in creditors	(442)	147
Increase/(decrease) in pension liability provision	48	(1,365)
Net cash inflow/(outflow) from the Institute's activities	1,459	(184)

B *Analysis of changes in cash*

	At 1 April 2016 £'000	Cash flows £'000	At 31 March 2017 £'000
Cash at bank and in hand	1,350	682	2,032

Status of the company / charity

The company / charity was incorporated on 16 April 1966 and is limited by the guarantee of its members. The guarantee of each member is restricted to £1 sterling. The address of the registered office is: Andrew Cohen Building, University of Sussex, Brighton BN1 9RE.

Basis of preparation

The financial statement have been prepared on a going concern basis under the historical cost convention as modified by the revaluation of the current asset investments, and in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102 (effective 1 January 2015) – (Charities SORP (FRS 192)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

The Institute of Development Studies meets the definition of a public benefit entity under FRS 102.

The financial statements are presented in pounds sterling which is also the functional currency of the charity.

Going concern

The Trustees have considered the results for this financial year and the forecast for the future prospects of the business and are satisfied that the Institute has sufficient resources to be able to continue trading and manage any financial downturn and consequently the accounts are presented on the going concern basis.

Income

Incoming resources are recognised when the Institute becomes entitled to the income, the amount can be measured with reasonable certainty and it is probable that the Institute will receive the funds.

Incoming resources receivable under contracts for services provided are recognised to the extent that the relevant work has been performed. Income received in advance of work performed is deferred.

Grant income is recognised in full when the Institute becomes entitled to the income, it is probable that the income will be received and the amount can be measured reliably.

Investment income is recognised when receivable.

Expenditure

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to that category. Where costs cannot be directly attributed to particular headings they have been allocated to activities on a basis consistent with the use of resources. Central overhead costs are allocated to operational functions on the basis of their use of central support services.

- Support costs, which include the central office functions such as governance, general management, payroll administration, budgeting and accounting, information technology, human resources and financing are

allocated across the categories of charitable expenditure. The basis of the cost allocation is explained in note 4 to the financial statements.

Incentive scheme

Any payments due to staff under incentive schemes are provided for as research costs in the financial year in which they are earned. The amounts are not disclosed as staff costs until the financial year in which they are paid.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction for income received and at the closing rate for the month in which other transactions take place. Exchange differences are taken into account in the net movement in funds.

Tangible fixed assets and depreciation

Tangible fixed assets are included at cost and only furniture and equipment greater than £500 are capitalised.

Where specific grants and donations are received for capital expenditure these are included as a restricted fund. Where capital expenditure is otherwise funded, amounts equal to payments made and capitalised net of depreciation during each period are transferred from the income and expenditure account to the designated capital fund.

Depreciation is calculated to write down the cost of all tangible fixed assets by equal annual instalments over their estimated useful lives.

The periods generally applicable are:

- Leasehold buildings - period to 2029
- Furniture and equipment - 5 years

Current asset investments

Investments are included at closing bid value at the balance sheet date. Any gain or loss on revaluation is included in the statement of financial activities.

Basic financial instruments

IDS has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at amortised cost using the effective interest method. Financial assets held at amortised cost comprise cash at bank and in hand, together with trade and other debtors. Financial liabilities held at amortised cost comprise bank loans and overdrafts, trade and other creditors.

Investments, including bonds held as part of an investment portfolio are held at fair value at the Balance Sheet date, with gains and losses being recognised within income and expenditure.

At the Balance Sheet date the charity held financial assets at amortised cost of £6,464k (2016 - £5,681k). Financial assets at fair value through income or expenditure of £5,357k (2016 - £4,815k) and financial liabilities at amortised cost of £1,967k (2016 - £2,174k).

Critical accounting judgements and key sources of estimation uncertainty

In the application of the charity's accounting policies, Trustees are required to make judgements, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects the current and future periods.

The key sources of estimation uncertainty that have a significant effect on the amounts recognised in the financial statements are described in the accounting policies and are summarised below:

- Pension liabilities – the charity recognises its liability to its defined benefit pension schemes which involve a number of estimations as disclosed in note 15 to the accounts.

Contributions to pension funds

The charity participates in three pension scheme. The Institute's casual workers are auto enrolled into a National Employment Savings Trust Scheme (NEST), this is a defined contribution scheme.

The other two schemes, the Universities Superannuation Scheme (USS), and the University of Sussex Pension and Assurance Scheme, (USPAS) are both multi-employer defined benefit pension schemes providing benefits based on final pensionable pay and career revalued benefits.

The Institute accounts for the defined contribution scheme by charging all contributions to the SOFA as incurred. For the defined benefit pension schemes the assets of each scheme are held separately from those of the charity. The charity is unable to identify its share of the underlying assets and liabilities of the schemes on a consistent and reasonable basis and therefore, as required by FRS 17 'Retirement benefits', accounts for the schemes as if they were defined contribution schemes. As a result, the amount charged to the statement of financial activities represents the contributions payable to the schemes in respect of the accounting period.

The Institute's share of the deficit for USPAS is deemed to be the deficit contributions payable by the Institute. This deficit is recorded as a liability on the balance sheet.

The Institute's share of the deficit for USS has been calculated using a specific modeller. The amounts payable in contributions to fund the deficit have been included as a charge in the statement of financial activities.

Fund accounting

Restricted funds are to be used for specific purposes laid down by the donor. Expenditure for those purposes is charged to the fund, together with a fair allocation of overheads and support costs.

Unrestricted funds are incoming resources received or generated for expenditure on the general objectives of the charity.

Designated funds are unrestricted funds, which have been designated for specific purposes by the Trustees.

1. Commissioned studies and research and Knowledge Services

Commissioned studies and research and knowledge services income was received in the following areas of activity:

	2017 Total £'000	2016 Total £'000
Accountable Grant	2,078	2,066
Business & Markets	502	700
Cities	159	179
Conflict & Violence	251	584
Digital	1,167	621
Gender & Sexuality	220	488
Governance	2,506	2,594
Green Transformation	253	369
Health & Nutrition	5,074	4,147
Knowledge Mobilisation & Impact	998	1,090
Open Knowledge & Digital Services	219	1,592
Participation	1,307	1,055
Power & Popular Politics	3,160	2,248
Resource Politics	1,491	2,005
Rural Futures	1,400	987
Total Commissioned Studies and Research	20,785	20,725

- a) Commissioned studies and research and Knowledge Services income includes the following values for accountable grants awarded by UK Aid – The Department for International Development:

PO 4005473	Accountable Grant: Strengthening Evidence – based Policy	£2,078,240.33
PO 40087409	African Universities Research Approaches (AURA) Capacity Development Programme Evidence review and case studies of Civil Society	£170,956.98
PO 40068342	Global Open Knowledge Hub	£99,860.00
PO 5114	International Centre for Tax and Development	£80,343.28
PO 7195	Agricultural Policy Research in Africa (APRA) Commercialisation, Womens Empowerment and Poverty Reduction	£514,045.91
PO 7239	Empowerment and Accountability Research Programme	£477,945.30

- b) Commissioned studies and research income £53,313 for Inequalities and Social Justice, awarded by International Social Science, £9,577 for Zimbeats Pilot, awarded by HIVOS and £275,000 for Core Contribution to the Institute of Development Studies, awarded by the Swiss Agency for Development Cooperation

2. *Investment income*

	2017 Total £'000	2016 Total £'000
Interest receivable on certificates of deposit	22	29

3. *Analysis of total resources expended*

	Direct costs £'000	Support costs £,000	2017 Total £'000	2016 Total £'000
Costs of Generating Funds				
• Costs of generating voluntary income	42	-	42	13
Charitable activities				
• Commissioned studies and research	16,693	2,645	19,338	20,141
• Teaching costs	1,509	404	1,913	1,467
• Publications, catering & accommodation	381	56	437	428
• Interest payable	112	-	112	168
	<u>18,737</u>	<u>3,105</u>	<u>21,842</u>	<u>22,217</u>

4. *Support costs*

	2017 Total £'000	2016 Total £'000
Premises	349	420
Communications	429	282
Director's office	557	527
Finance, Computer and Technical support	675	686
Fundraising and partnerships	190	152
Human resources	432	411
Depreciation	200	221
Governance costs	22	29
Other costs	251	667
	<u>3,105</u>	<u>3,395</u>

Central support costs are all allocated by income generated by each activity.

Resources expended include:

	2017 Total £'000	2016 Total £'000
Auditor's remuneration		
• audit services		
- financial statements audit	22	24
- other audit services	4	11
• non audit services	2	-

5. *Staff and Trustees*

	2017 Total £'000	2016 Total £'000
Staff costs during the year:		
Wages and salaries	8,553	8,690
Social security	886	726
Other pension costs	1,599	1,415
Redundancy costs	157	407
	11,195	11,238

Of the amounts shown in redundancy costs an amount of £72k (2016: £40k) was unpaid at the 31st March. All redundancy costs are accounted for in the year in which the individual is notified of their redundancy.

The average number of employees of the charity, excluding the Trustees who are not also paid employees, during the year was 248 (2016 – 263). The emoluments of higher paid employees (including those Trustees who are employees of the Institute) fell within the following ranges:

	2017 Number	2016 Number
£60,000 to £70,000	13	11
£70,001 to £80,000	6	3
£80,001 to £90,000	2	3
£90,001 to £100,000	2	3
£100,001 to £110,000	1	-
£110,001 to £120,000	1	1
£120,001 to £130,000	1	1
	26	22

The pension contributions of the higher paid employees, who were all members of a pension scheme to which the charity contributes, amounted to £317,000 (2016 - £230,000).

The emoluments of the higher paid employees do not reflect basic pay. They include any one-off sums on top of basic pay as part of the settlement of the Accumulated Time Fund, the Accumulated Individual Surplus and the voluntary redundancy scheme described earlier in this report.

Two members of staff are included in the table as a result of redundancy payments which take their remuneration above the reporting threshold. A further nine are included or appear in a higher band than their basic pay because of the ATF or AIS payments.

The Trustees received no remuneration for their services as Trustees. In accordance with Clause 4 of the Memorandum of Association, Trustees who are also employees received remuneration for their services as employees.

The aggregate emoluments of those Trustees who are also employees of the Institute were £257,000 (2016 - £242,000) whilst they were Trustees. The Institute paid £40,000 (2016 - £38,000) pension contributions on their behalf to one of the charity's defined benefit pension schemes.

The details of the emoluments and pension contributions for Trustees who are also employees of the Institute are shown below:

Employee	Emoluments	Pension
M Leach	£125,000 - £130,000	£20,000 - £25,000
M Moore	£90,000 - £95,000	£15,000 - £20,000
E Wilson	£20,000 - £25,000	£0 - £5,000
H Corbett	£10,000 - £15,000	£0 - £5,000

The emoluments of the highest paid Trustee were £125,000 (2016 - £112,000), and the accrued annual pension at 31 March 2017 was £36,000 (2016 - £35,000); the maximum accrued lump sum was £108,000 (2016 - £105,000).

The key management personnel of the Institute comprise the members of the Strategic Leadership Group: the Director, Director of Strategic Operations, Director of Research and Director of Communications. The total employee benefits of the key management personnel of the Institute were £600,000 (2016: £566,000)

During the year ended 31 March 2017, 7 Trustees (2016 - 9 Trustees) were reimbursed expenses amounting to a total of £4,000 (2016 - £8,000) for travelling to attend Trustees' meetings.

6. Taxation

The charity is a registered charity and therefore not liable for income tax or corporation tax on income derived from its charitable activities, as it falls within the various exemptions available to registered charities.

7. Tangible fixed assets

	Leasehold building £'000	Furniture and equipment £,000	Total £'000
Cost			
At 1 April 2016	2,535	3,563	6,098
Additions	56	89	145
Disposals	-	(1,665)	(1,665)
At 31 March 2017	2,591	1,987	4,578
Depreciation			
At 1 April 2016	1,422	3,295	4,717
Charge for the year	99	101	200
Eliminated on disposal	-	(1,640)	(1,640)
At 31 March 2017	1,521	1,756	3,277
Net book values			
At 31 March 2017	1,070	231	1,301
At 31 March 2016	1,113	268	1,381

The charity has an agreement with the University of Sussex for the occupation of the buildings until 2068. The charity is depreciating the buildings over the period until 2029 as this corresponds to the period covered by an agreement with the University of Sussex as regards certain occupancy rights.

8. Debtors

	2017 £'000	2016 £'000
<i>Amounts falling due within one year:</i>		
Sales ledger balances	4,213	4,318
Amount due from University of Sussex	213	-
Prepayments and other debtors	1,595	2,129
	6,021	6,447

9. Current asset investments

	Total £'000
Balance at 1 April 2016	4,815
Additions	5,872
Disposals at book value	(5,324)
Gain during the year	(6)
Balance at 31 March 2017	5,357

	2017 £'000	2016 £'000
Investments at market value comprised		
UK deposit fund	5,357	-
Listed UK fixed interest deposits	-	4,815
	5,357	4,815

10. Creditors: amounts falling due within one year

	2017 £'000	2016 £'000
Amount due to University of Sussex	-	278
Commissioned studies – unrestricted deferred income	1,109	1,013
Closed accumulated time fund	6	200
Accruals and other creditors	2,016	2,057
Social security and other taxes	208	215
	3,339	3,763

Reconciliation of movement unrestricted deferred income

	Total £'000
Balance at 1 April 2016	1,013
Released during the year	(751)
Additional deferral	847
Balance at 31 March 2017	1,109

11. Creditors: amounts falling due after one year

	2017 £'000	2016 £'000
Closed accumulated time fund	-	6
Accruals and other creditors	47	59
	<u>47</u>	<u>65</u>

12. Funds

	At 1 April 2016 £'000	Incoming resources £'000	Resources expended £'000	Transfers £'000	Gains/ (losses) £'000	At 31 March 2017 £'000
Unrestricted funds						
Designated Capital fund (represented by tangible fixed assets)	1,179	-	-	(63)	-	1,116
Strategic development fund	177	-	(128)	-	-	49
Building development fund	100	-	-	-	-	100
Closed accumulated time fund	65	-	-	-	-	65
Scholarship fund	20	-	(20)	-	-	-
	<u>1,541</u>	<u>-</u>	<u>(148)</u>	<u>(63)</u>	<u>-</u>	<u>1,330</u>
General funds						
Income and expenditure account	5,432	14,383	(15,053)	80	-	4,842
Pension reserve	<u>(3,759)</u>	<u>-</u>	<u>69</u>	<u>-</u>	<u>(117)</u>	<u>(3,807)</u>
Total unrestricted funds	<u>3,214</u>	<u>14,383</u>	<u>(15,132)</u>	<u>17</u>	<u>(117)</u>	<u>2,365</u>
Restricted funds						
Irish Aid	56	-	-	-	-	56
Other research projects	2,858	8,661	(6,684)	-	-	4,835
Deferred income (represented by tangible fixed assets)	202	-	-	(17)	-	185
Dudley Seers fund	41	-	-	-	-	41
Gordon White fund	1	-	-	-	-	1
Hans Singer fund	25	-	-	-	-	25
Alumni fund	<u>9</u>	<u>27</u>	<u>(26)</u>	<u>-</u>	<u>-</u>	<u>10</u>
Total restricted funds	<u>3,192</u>	<u>8,688</u>	<u>(6,710)</u>	<u>(17)</u>	<u>-</u>	<u>5,153</u>
Total funds	<u>6,406</u>	<u>23,071</u>	<u>(21,842)</u>	<u>-</u>	<u>(117)</u>	<u>7,518</u>

Analysis of net assets between funds

	Unrestricted funds £'000	Restricted funds £'000	2017 Total Funds £'000
Tangible fixed assets	1,116	185	1,301
Net current assets	5,103	4,968	10,071
Creditors due in more than 1 year	(47)	-	(47)
Pension liability provision	(3,807)	-	(3,807)
Total net assets	2,365	5,153	7,518

Designated funds

The designated funds represent monies that have been set aside by the Trustees for specific purposes, as follows:

Capital fund

This is used to account for the purchase and depreciation of tangible fixed assets when they are purchased out of general income of the Institute. Amounts are transferred to or from capital fund so that the balance of the capital fund plus the deferred income reserve is equal to the net book value of tangible fixed assets. During the year ended 31 March 2017 £63k was transferred to the income and expenditure account from the capital account in respect of the decrease in net book value of the fixed assets during the year (2016 - £31k increase).

Building development fund

IDS is just about to commission a new building condition survey this reserve has been set up to cover any repairs which may be required in 2017/18 which are unable to be covered from the budget that has been set. The reserve has been set at £100,000 (2016 - £100,000).

Closed accumulated time fund

The fund balance as at 31 March 2017 represents the time element (part (b)) of the settlement agreed with the unions, and the maximum amounts due to any fellows on retirement (if they decide to take the settlement on time).

Strategic development fund

The strategic development fund was designated in order to fund the strategic changes the Institute undertook in this financial year and thereafter. The balance reflects the amount remaining after taking off any amounts spent in the current financial year.

Scholarship fund

The amount held in the Scholarship fund represents unrestricted donations to the Institute plus any amounts that the Institute has decided to designate to fund scholarships for future students. This fund was fully spent during the year. Any future unrestricted donations will be allocated to a Donations General fund.

Restricted funds

Restricted funds are to be used for specified purposes laid down by the donor. Expenditure for those purposes is charged to the relevant fund.

Irish Aid

The fund represents restricted grants received from Irish Aid to provide financial assistance towards specific research projects. All income is recognised in the year in which it is received even where the activity extends to future years.

Other research projects

All other restricted grants have for the purposes of these accounts been grouped under one heading. These balances represent restricted grants where all income is recognised in the year for which it is received even though the activity extends to future years.

Deferred income fund

A government grant received to fund capital expenditure was credited to a restricted fund and was recognised in the SOFA in the year of receipt. An amount equivalent to the depreciation on the assets acquired is released to the income and expenditure account for each period. During the year depreciation of £17k (2016 - £17k) was charged against assets which had been purchased using restricted grant funding. A corresponding amount was therefore transferred out of the deferred income reserve and into the income and expenditure account.

Dudley Seers memorial fund

This fund has been established by a generous bequest from the Seers family. The funds will be used for educational purposes.

Gordon White memorial fund

This fund has been established by donations in memory of Gordon White, a former fellow of the Institute and is used to support IDS students in meeting the costs of summer internships and conference attendance.

Hans Singer memorial fund

This fund has been established by donations in memory of Sir Has Singer, a former fellow of this Institute. The funds are used to support students.

Alumni donation fund

This fund has been established by donations made by attendees at specific alumni events. These events were held to launch the fundraising for a new scholarship fund and any donations from attendees of these events are held to be used for future scholarships. This fund will be called the scholarship donation fund in future financial years.

13. Prior Year Funds

	At 1 April 2015 £'000	Incoming resources £'000	Resources expended £'000	Transfers £'000	Gains/ (losses) £'000	At 31 March 2016 £'000
Unrestricted funds						
<i>Designated</i>						
Capital fund (represented by tangible fixed assets)	1,149	-	-	30	-	1,179
Strategic development fund	250	-	(73)	-	-	177
Building development fund	100	-	-	-	-	100
Closed accumulated time fund	167	-	-	(102)	-	65
Scholarship fund	20	-	-	-	-	20
	<u>1,686</u>	<u>-</u>	<u>(73)</u>	<u>(72)</u>	<u>-</u>	<u>1,541</u>
<i>General funds</i>						
Income and expenditure account	4,940	12,972	(12,569)	89	-	5,432
Pension reserve	(5,124)		(115)		1,480	(3,759)
Total unrestricted funds	<u>1,502</u>	<u>12,972</u>	<u>(12,757)</u>	<u>17</u>	<u>1,480</u>	<u>3,214</u>
Restricted funds						
Irish Aid	115	-	(59)	-	-	56
Other research projects	2,678	9,553	(9,373)	-	-	2,858
Deferred income (represented by tangible fixed assets)	219	-	-	(17)	-	202
Dudley Seers fund	41	-	-	-	-	41
Gordon White fund	1	-	-	-	-	1
Hans Singer fund	17	1	-	7	-	25
Alumni fund	15	29	(28)	(7)	-	9
Total restricted funds	<u>3,086</u>	<u>9,583</u>	<u>(9,460)</u>	<u>(17)</u>	<u>-</u>	<u>3,192</u>
Total funds	<u>4,588</u>	<u>22,555</u>	<u>(22,217)</u>	<u>-</u>	<u>1,480</u>	<u>6,406</u>

Analysis of net assets between funds at 31st March 2016

	Unrestricted funds £'000	Restricted funds £'000	Total Funds £'000
Tangible fixed assets	1,179	202	1,381
Net current assets	5,859	2,990	8,849
Creditors due in more than 1 year	(65)	-	(65)
Pension liability provision	(3,759)	-	(3,759)
Total net assets	3,214	3,192	6,406

14. Liability of members

Each of the 15 members (2016 – 15 members) has undertaken to contribute £1 in the event of the charity being wound up.

15. Pension schemes

The charity participates in two defined benefit pension schemes, the Universities Superannuation Scheme (USS) and the University of Sussex Pension and Assurance Scheme (USPAS). Both schemes are formally valued every three years by actuaries using the projected unit method

The benefits provided by the pension schemes are based on final pensionable salaries and career-revalued benefits (USS). The USS scheme has also capped its defined benefits for future contributions for those earnings up to a salary cap (currently £55,000). All earnings above £55,000 will now be calculated on a defined contribution. The assets of these schemes are held separately from those of the charity being invested with insurance companies. The total pension cost to the charity for the year ended 31 March 2017 was £1,599,000 (2016 - £1,450,000).

At the end of the financial year the liabilities of the defined benefit pension plans are valued. The valuation is based on the amounts estimated to be required to correct the deficit discounted to reflect the time value of money. The discount rate selected reflects the opportunity cost of the investment income forgone. The rates selected by the Institute reflect the return that would be available from a high quality (low risk) corporate bond and this is compared to similar organisations to check it is reasonable. The rate for 2016/17 deficit valuation was 2.5% (2016 – 3.4%).

The Universities Superannuation Scheme (USS)

The pension charge for the year includes contributions payable to the USS of £1,409,000 (2016 - £1,220,000).

The latest formal actuarial valuation of the USS was carried out as at 31 March 2014 to meet the requirements of the Pensions Act 2004, and was published in July 2015. This valuation showed the scheme assets as being insufficient to cover 89% (2011 - 92%) of its liabilities on its technical provisions basis with an overall shortfall of £5.3bn (2011 - £2.9bn).

As a result of the increased deficit a number of changes have been made to both the benefits and the funding of the scheme. The Trustee has determined a recovery plan to pay off the shortfall by 31 March 2031.

From 1 April 2016 to 31 March 2031 employer contributions increased to 18% from 16%. Of this, 2.1% will be deficit contributions.

The key changes to benefits are set out below:

- For final salary section members – accrued entitlement up to 31 March 2016 will be calculated using pensionable salary and pensionable service immediately prior to this date. Going forward, those accrued benefits will revalue in line with increases in official pensions which for the purposes of this valuation is assumed to be in line with CPI (subject to certain limits when CPI exceeds 5%).
- Future defined benefit accrual after 1 April 2016 will be on a CRB basis for all members with a pension accrual of 1/75th – and a cash lump sum of 3/75ths - of salary for each year of service in respect of salary up to a salary threshold, initially £55,000 per annum.
- Member contributions will increase to 8% of salary
- A new defined contribution benefit for salary in excess of the salary threshold at a total level of 20% of salary in excess of the salary threshold (including member contributions of 8% of salary in excess of the salary threshold).
- Optional additional contributions payable into defined contribution section of which the first 1% of salary is to be matched by the Employer.

A copy of the full actuarial valuation report and other further details on the scheme are available on the USS website www.uss.co.uk.

The Institute has used a financial modeller to calculate the provision it needs to recognise in the financial statements in relation to the USS deficit. The calculated amount is recognised in the balance sheet and any changes in the value of the deficit liability each year are shown on the Statement of Financial Activities. For the year ended 31 March 2017 the USS liability was £2,556,000 (2016 – £2,416,000)

The USPAS

Until 1 April 2009, when the scheme was closed to new members, the Institute's staff were eligible to participate in USPAS, a defined benefit scheme operated by the University of Sussex, whose members are predominantly University employees. It is not possible to identify the IDS share of the scheme's underlying assets and liabilities, on a reasonably and consistent basis and so the Institute's contributions are accounted for as defined contribution scheme. The cost recognised in the statement of financial activities is equal to the contribution payable for the year to 31 March 2017.

The latest formal triennial actuarial valuation of this scheme was at 31 March 2015. In preparing the valuation the main assumptions made by the actuary were:

- an investment return of 3.35% per annum pre-retirement for the first three years and 4.20% per annum thereafter and 3.35% per annum post retirement for the first three years and 2.50% thereafter,
- salary scale increases of 1.25% per annum for 5 years and 2.00% thereafter,
- a pension increase assumption of 2.10% per annum for pension increasing in line with inflation up to a maximum of 6% for service before 6 April 2009 and a pension increase assumption of 1.85% per annum for pension increasing in line with inflation up to a maximum of 3% for service post 6 April 2009.

At the date of the valuation there was a shortfall in the assets when measured against the Scheme's technical provisions of £36.7m. (This is a reduction from the shortfall of the previous valuation which estimated a shortfall of £39.9million).

The next formal triennial actuarial valuation is due as at 31 March 2018.

The employer contribution rate required for future service benefits alone at the date of the last formal valuation was increased to 29.4% (from 23.9%) from 1 July 2013. The employer contribution was reduced to 28.1% from 1 July 2016.

In 2009 a recovery plan was agreed by the Trustees of the pension scheme to fund a £47 million deficit over a 20 year period (with additional contributions of £2,375,000 per annum increasing at 3.2% per year from 1 August 2013 until 30 May 2030).

As a result of the 2012 valuation, the Trustees agreed to reduce the period of the recovery plan so that the deficit (£39.9m) is recovered by 31 March 2028; the 2015 valuation deficit (£36.7m) maintains the payments to correct the shortfall as they were agreed in 2012 but it is expected that the shortfall will be eliminated by 31 May 2025.

The additional contributions are required from both employers to recover the deficit under the 2012 recovery plan from 1 April 2016 are as set out below:

- £250,281 per month from 1 April 2016 until 31 March 2025 increasing at 3.2% each year from 1 August with the first such increase being applied on 1 August 2016.

It is agreed that IDS would pay a proportion of these deficit contributions based on the active number of members at 31 March 2009.

The IDS proportion of the payments to eliminate the pension liability have been accrued and appear as a liability on the balance sheet. Any gains or losses are recognised in the Statement of Financial Activities. For the year ended 31 March 2017 the USPAS liability was £1,251,000 (2016 – £1,343,000).

The total pension cost to the charity for the year ended 31 March 2017 was £189,000 (2016 - £229,000); this included the additional contributions but not the amounts relating to the revaluation of the pension liabilities.

The closure of the scheme to new members left open the possibility of S75 of the Pensions Act 1995 being triggered. The Institute has invested a significant amount of time in seeking a solution to this potential problem. An agreement was signed with University of Sussex at the beginning of December which manages this liability. Further details are provided in the Trustee's report.

It is not certain what specific amounts will be payable in the future or what the timing of the payments will be, although in the short term it is envisaged that the Institute will continue to adhere to the recovery plan described above.

NEST Pension

From 1st July 2013 the Institute began auto-enrolling any casual workers who earned over £786 in any one month or £9,440 in a year into a defined contribution pension scheme. Other casual workers also have the option to join the NEST scheme as well. The Institute contributes 1% to the NEST scheme on qualifying earnings (earnings over £485.33 per month). The costs of the pension are charged to the statement of financial activities in the year in which they are incurred. The assets of the scheme are held separately from the Institute in an independent and separately administered fund. The Institute has no further payment obligations once the contributions have been paid.

The total pension cost to the charity for the year ended 31 March 2017 was £212 (2016 - £700).

16. Related party transactions

University of Sussex

Professor A Tickell, Vice Chancellor of the University of Sussex is an ex-officio member of the Board. During the year the Institute paid £658,000 (2016 - £666,000) to the University of Sussex for services provided to the Institute, and received £2,044,000 (2016 - £1,616,000) from the University in respect of tuition fees and other income.

Dr A Cheema, Trustee, is also a trustee for Institute of Development and economic Alternatives (IDEAS). During the course of the year IDEAS received £20,725 as a consultant on IDS research project 'Politics, Voice and Responsiveness in Urban Pakistan'. IDEAS also received £14,060 as a collaborating partner on IDS' Empowerment and Accountability Grant.

All amounts paid and received were in the normal course of the Institute's activities.

17. Comparative SOFA for year ended 31st March 2016

The detailed SOFA for the previous financial year is set out below.

	Notes	Unrestricted funds £'000	Restricted funds £'000	2016 Total funds £'000
Income and expenditure				
Incoming Resources				
Incoming resources from generated funds				
. Donations and legacies		-	29	29
. Income from investments	2	28	1	29
. Gain on current asset investment		2	-	2
Income from charitable activities				
. Commissioned studies and research	1	11,172	9,553	20,725
. Tuition fees		1,488	-	1,488
. Publications, catering and accommodation		282	-	282
Total income and endowments		12,972	9,583	22,555
Resources expended				
Expenditure on raising funds		13	-	13
Expenditure on charitable activities				
. Commissioned studies and research		10,709	9,432	20,141
. Teaching costs		1,439	28	1,467
. Publications, catering and accommodation		428	-	428
. Interest payable –re pension provision		168	-	168
Total expenditure	3	12,757	9,460	22,217
Net income		215	123	338
Transfers between funds	12	17	(17)	-
Actuarial gain/(loss) on defined benefit pension schemes		1,480	-	1,480
Net movement in funds		1,712	106	1,818
Fund balances at 1 April 2015		1,502	3,086	4,588
Balances carried forward at 31 March 2016		3,214	3,192	6,406