INSTITUTE FOR GOVERNMENT

ANNUAL REPORT AND ACCOUNTS

FOR THE PERIOD TO 31 MARCH 2017

Charity number 1123926

Company number 6480524

INSTITUTE FOR GOVERNMENT
ANNUAL REPORT AND ACCOUNTS
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INSTITUTE FOR GOVERNMENT
LEGAL AND ADMINISTRATIVE INFORMATION
FOR THE PERIOD TO 31 MARCH 2017

Board of Governors

Governor	
Lord Sainsbury of Turville	Chair
Baroness Valerie Amos	
Rt Hon Liam Byrne MP	
Sir Andrew Cahn	
Lord Currie of Marylebone	
Miranda Curtis	Acting Chair, Finance & Audit Committee
Dame Sandra Dawson	
Lord Finkelstein	Resigned 15 June 2017
Susan Hitch	
Sir Ian Cheshire	Appointed 22 June 2016
Philip Rutnam	
Lord Sharkey	
Lord Simon of Highbury	

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

Executive Directors

The Director of the Institute is Bronwen Maddox. The Director is responsible for the day-to-day running of the Institute along with a team of Directors and Programme Directors.

Bankers	The Co-operative Bank plc Charity, Cooperative and Social Enterprise Banking 3rd Floor, St Paul's House 10 Warwick Lane London EC4M 7BP
Registered Auditor	Crowe Clark Whitehill LLP St Brides House 10 Salisbury Square London EC4Y 8EH
Principal & Registered Office	2 Carlton Gardens London SW1Y 5AA
Website	www.instituteforgovernment.org.uk

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

INSTITUTE FOR GOVERNMENT
FOREWORD BY LORD SAINSBURY
FOR THE PERIOD TO 31 MARCH 2017

Foreword

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

The mission of the Institute for Government is to work with politicians of all parties and with civil servants to improve the machinery and working of Government to meet today's opportunities and challenges and during the eight years since it was formed the Institute has worked closely with all the major parties and Labour, Coalition and Conservative governments.

A major decision taken by the Board was to do work on the administrative challenges of Brexit. There was clearly a danger that the Institute would be dragged into the political debate and be seen to have lost its independence. But given the huge administrative issues which Brexit raises the Directors of the Institute felt that the Institute could not stand aside, but insisted that the Institute provide only objective research and advice on the administrative issues.

I am extremely pleased to report that the Institute has done an excellent job in providing and circulating objective advice about the key administrative issues that Brexit raises, and that as a result its work has been highly valued at a time when there has been little objective advice available to politicians, civil servants and the public. In the coming year this will continue to be a major area of work for the Institute.

During the year, the Institute also continued to press for greater professional skills throughout the civil service, greater clarity of the relationship between government and arms-length bodies, and a more systematic approach to digital government. Our Whitehall Monitor continues to analyse government performance and this has been joined by a new Performance Tracker report looking at spend and performance in key areas of public services. The Institute has also worked closely with the policy profession within the civil service to raise the quality of policy-making.

This is the first full year that Bronwen Maddox has been the Director of the Institute. Under her thoughtful and intelligent leadership, the Institute continued to build up its productive relationship with the civil service, and to be a calm and authoritative voice at a time when the civil service has been under great pressure.

I would like to give my warm thanks to Bronwen, Julian McCrae and all the directors and staff of the Institute for another hugely successful year. At a time of political turmoil I would also like to say how much I value the wisdom and knowledge of the Board, and the way they guard the independence and objectivity of the Institute. Thanks to them and to all those who have worked with us, it has been another year of real achievement.

David Sainsbury

INSTITUTE FOR GOVERNMENT
INTRODUCTION BY BRONWEN MADDOX

Introduction

By Bronwen Maddox, Executive Director of the Institute for Government

This has been an immensely active and productive year at the Institute for Government. I am delighted that we have managed to advance our work on the main challenges facing government on so many fronts, and to see it prominently discussed in government, in the media and in wider debate.

How to manage Brexit is the question now dominating discussion in government, Parliament, and national politics. Our team has looked in depth at potential customs, trade and immigration arrangements, at the impact on Scotland, Wales and Northern Ireland, as well as the Government's capacity to carry out this immense exercise. It has kept up steady discussions with those who are making those decisions.

Yet Brexit is only one of the central pillars of our work. In our Whitehall programme, we have continued to press for greater professional skills throughout the civil service, for clearer lines of accountability, and for quicker and more systematic introduction of digital government. Our Whitehall Monitor almanac continues to chart the size and capability of government. Our new Performance Tracker report, aimed at improving financial planning in government, analyses the spending given to public services, and how they perform as a result.

Our work to prompt better policy making has also taken a big step forward this year. We have worked directly with the Policy Profession in the civil service on proposed standards of competence. We have published papers and held events as part of a project about why the decisions to build big pieces of infrastructure are so often poorly made and how that could be systematically improved. Our Professional Development for Government work has continued through private discussions and through the very popular Ministers Reflect series of interviews.

This is not an easy time to run a government. Brexit and, since the General Election, the lack of a solid majority for the government in Parliament has compounded that. Public scepticism of government is high and a sense of being able to hold it to account is low - as the response to the Grenfell Tower tragedy showed. Inside government, ministers and officials are conscious that they are often making decisions that will shape the UK for decades to come, working on what is often new territory under immense pressure.

The Institute will continue to comment and advise on those decisions, from a position of independence but drawing on close relationships with many parts of government, in order to help government work better through this difficult if exciting period.

Bronwen Maddox

INSTITUTE FOR GOVERNMENT
GOVERNORS' ANNUAL REPORT
FOR THE PERIOD TO 31 MARCH 2017

The governors are pleased to present their annual directors' report together with the consolidated financial statements of the charity and its subsidiary for the year ending 31 March 2017 which are prepared to meet the requirements for a directors' report and accounts for Companies House.

The financial statements comply with the Charities Act 2011, the Companies Act 2006, the Memorandum and Articles of Association, and 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).

The Chair's Report can be found on page 4.

Our purposes and activities

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

The Institute's original core funder was Lord Sainsbury of Turville. Its principal core funder is now the Gatsby Charitable Foundation, one of the Sainsbury Family Charitable Trusts. Lord Sainsbury is Chair of the Governors. In addition to core funding from the Gatsby Charitable Foundation, the Institute funds its project work and events by generating income from a range of trusts and foundations and academic and corporate funders.

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

The purposes of the Institute for Government are:

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

Our vision remains to improve the effectiveness of government in the UK and our intention remains to focus on bringing about long-term change in the process of government, continuing to move from producing proposals to helping to make them happen.

In shaping our annual objectives and business plans the Institute has considered the Charity Commission's guidance on public benefit, including the guidance 'public benefit: running a charity (PB2)'. The Institute continues to publish its reports, blogs, analysis and event videos and summaries on our website. These are freely available to the public.

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

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

We encourage those with an interest in our work to become involved by joining our mailing lists and receiving newsletters and being invited to attend our public events.

Principal Activities and Achievements
The last year has been an exceptionally busy and fascinating time for government in the United Kingdom. There are well established challenges such as how to improve public services at a time of tight national finances, and how to improve persistent problems of productivity, lack of growth in real wages, social mobility, educational standards, the housing market and regional imbalances. On top of those, the Government has had had to grapple with Brexit.

Our work during 2016-17 has focussed on helping government be more effective in devising and implementing solutions:

- **Whitehall** - the management, professional skills and accountability of the civil service
- **Brexit** – how the Government can devise and implement new arrangements after leaving the EU
- **Policy Making** - how policy makers can use evidence, experience and models better in making decisions.
- In our **Devolution** projects, we looked at the transfer of power to UK nations, regions and cities; and in our work on **Parliament**, how to strengthen the accountability of government.
- We also continue to provide **Professional Development for Government**, providing high-level advice, seminars and report for ministers, advisers, senior officials and select committees.

The General Election also generated considerable comment about the workings of minority government; we continued our steady, high-profile line of commentary on such constitutional issues.

Future plans
In the coming year we will continue all these programmes. We will begin a project with the Health Foundation, which will coincide with the 70th anniversary of the NHS, on the funding of healthcare and social care, and making the different solutions politically accessible. We will increase our work on accountability of government.

Going Concern
The Institute reported a cash inflow of £398,835 for the year and £498,363 on a group basis. The governors are of the view that, despite a large increase in the annual rent costs for 2 Carlton Gardens backdated to 1 April 2015 and paid in June 2017, on the basis of the strong cash flow and healthy fund levels the charity is a going concern.

The uncertain economic outlook and changes within the funding environment has been an area of financial pressure and future uncertainly however the short to medium-term future of the general-purpose grant from the Gatsby Charitable Foundation providing the bulk of the Institute's funding is secure.

Despite challenges following proposed changes to research council funding 2016-17 has been a positive year for resource generation, exceeding our budget target of £350,000. The target for 2017-18 was increased to £400,000 and this had already been achieved by May 2017.

Financial Review
The consolidated surplus before transfers on the general fund for the period was £108,946. After transfers to designated funds, equivalent to fixed asset additions as well as additions to a building fund, the consolidated deficit on all funds was £255,581.

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

A designated fund which was maintained at £400,000 in 2016-17 despite significant external redecoration costs. This fund has been set aside towards future capital and maintenance costs of 2 Carlton Gardens.

A designated fund of £237,975 had been held for future investment in project activity however, this has now been reabsorbed into general funds as our investment in our stream of work covering the implications of Brexit is very much part of our core on-going work.

Total unrestricted funds decreased to £1,763,604 at 31 March 2017 reflecting the ongoing depreciation of leasehold improvements (2016: £2,019,185). Restricted funds remained at £nil (2016: £nil).

There was a deficit on total unrestricted funds, including designated funds, of £255,581 (2016: £162,254) which is after depreciation charges of £364,527 against fixed assets, the net book value of which is held in a designated fund. There was a surplus recorded on the unrestricted general fund of £108,946.

The Institute's consolidated income from general funds amounted to £4,003,192 (2016: £3,783,344) whilst consolidated general fund expenditure amounted to £3,894,246 (2016: £3,568,218) as shown in the Statement of Financial Activities.

The charity's trading subsidiary, IFG Enterprises Limited, had another good year with income from room and building hire steady at £80,192 (2016: £83,172). As a result profits to be gift aided to the Institute were slightly down to £16,219 (2016: £17,085).

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

The Governors' have reviewed their reserves policy and the financial risks faced by the organisation. The Governors' policy is that the level of reserves, defined as free and undesignated reserves measured by the amount of retained general funds (previously measured as unrestricted net current assets), should be at least £250,000 for operational activities. Current general fund reserves levels are well above this target at £662,461. Given recent increases in building costs and with only 3 years remaining on our current lease, it is

felt the current level of reserves are appropriate to cover these specific risks and for the size of the organisation and the size and nature of the other risks faced.

Total unrestricted reserves stand at £1,763,604. Fixed assets represent £701,143 of this, principally our interest in 2 Carlton Gardens and specifically leasehold improvements, reflecting the extent of investment in the fixed assets of the business and the importance of building up a more significant pool of liquid reserves.

There are also designated funds set aside for future capital and maintenance of 2 Carlton Gardens. These funds amount to £400,000 and provide further financial security against significant one off costs associated with 2 Carlton Gardens.

With continued need to invest in projects including Brexit and infrastructure anticipated during 2016-17 as the result of the referendum outcome and with the increased costs of 2 Carlton

Gardens, the Institute's financial budgeting programme for the 2017-18 financial year aims to maintain a similar level of funds reserved for future building commitments whilst allowing free funds to be invested back into our Research activity. Generally speaking reserves are required to:

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

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

Structure, Governance and Management
Institute for Government is a company limited by guarantee governed by its Memorandum of Association dated 16 January 2008, and revised Articles of Association adopted by special resolution on 21 September 2010. It is registered as a charity with the Charity Commission.

The Institute has a wholly owned subsidiary, IFG Enterprises Limited, which undertakes commercial activities on behalf of the charity. The activities of IFG Enterprises Limited are currently limited to room and building hire. All profits of IFG Enterprises Limited are gift aided to Institute for Government.

The Institute's chair, Lord Sainsbury of Turville, is also the settlor of the Gatsby Charitable Trust the Institute's principal funder. All Gatsby's funds have come from Lord Sainsbury of Turville, and he and the Gatsby Trustees set out its strategic direction and approve all activities. This active involvement of Gatsby's settlor means it operates in areas that Lord Sainsbury is particularly passionate about including the activities of the Institute, and where he believes charitable funding can make a real difference.

The Institute is run by a Board of Governors who are also Members and Directors of the Company and Trustees of the Charity. The Board met every three months during the period covered by the Annual Report to manage and control the affairs of the Institute and delegates day-to-day management issues to the Director and management. Senior management within the Institute includes the Director, Deputy Director, the Director of Finance & Operations, the Director of Communications & Marketing and Programme Directors.

The Executive Committee of the board continued to meet regularly throughout the year. The Committee is chaired by Lord Sainsbury.

The Finance and Audit Committee, currently chaired by Miranda Curtis throughout 2016-17, also meets on a quarterly basis. Sir Ian Cheshire will become chair in September 2017.

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

The Articles of Association provide for the appointment and retirement of the Governors. There will always be a minimum of three governors and there is no upper limit though normally the Board will be limited to a maximum of fifteen.

The Governors put forward and discuss potential new Board members amongst the existing members. The key principles for appointment are that the Board of Governors should provide a balance of experience including from the civil service, private sector, the academic sector and also from the major political parties. The Board will always be numerically balanced in terms of direct political affiliation to ensure its non-partisan position.

There is no specific training or induction for new Governors as they have been selected based upon their experience and interest in the objectives of the Institute.

None of our Governors receive remuneration or other benefit from their work with the charity though they may be paid reasonable travel, hotel and other expenses that they incur in connection with their attendance at Institute meetings.

All governors must declare the nature and extent of any interest, direct or indirect, they may have in any proposed transaction of the charity and they will not participate in any discussions or votes on such matters. The governors must also declare any conflicts of interest that may arise. Any connection between a governor or senior manager with a stakeholder (customer, supplier, sponsor, funder, government department, political party) of the charity must be disclosed in the same way as any other contractual relationship with a related party.

Pay policy for senior staff

The governors consider the Board, who are the Institute's trustees and the senior management team comprise the key management personnel of the charity in charge of directing and controlling, running and operating the Institute on a day to day basis. All board members give of their time freely and no Governor received remuneration in the year. There were no governor expenses during the year.

The pay of the senior staff is reviewed annually by the Director and representatives of the Board (who also review the Director's pay). Remuneration levels are reviewed for competiveness with other think-tanks, civil service and academic roles as well as considering individual performance and economic factors such as inflation. Market additions may be added given specialist skills and experience.

Risk Management

The day-to-day task of managing risk is devolved to senior management though the Governors retain overall responsibility for risk management. Reporting of significant risks, how these are managed and mitigated forms part of the regular reporting by senior management to the Governors at Board and other sub-committee meetings.

The Institute maintains a risk register and risk management plan has been produced following a review of the current risk analysis, significant risk occurrences over the past twelve months, business developments within the Institute and scoping of the external environment. The assessment of probability and impact is a combination of actual events and the combined professional judgement of management and evidence of increased or new risks arising. To give further evidence and background to the rating given to each risk area and sub-set of risk elements, the register also sets out any events informing our rating & planning assumptions used.

The focus in this risk register is on the most material risks facing the Institute; risks which if realised could have serious consequences for all or some of our stakeholders and threaten the future viability of IfG. The most significant risks facing the Institute and the ones that inform our reserves policy is the reliance on Gatsby funding and the potential liabilities relating to 2 Carlton Gardens. The Board ensures that appropriate mitigating steps are taken to manage all significant risks.

Auditors

A resolution proposing the appointment of Crowe Clark Whitehill LLP as auditors of the Charity for the year to 31 March 2018 will be put to the Annual General Meeting.

Statement of Governors' responsibilities

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

Company law requires the charity trustees to prepare financial statements for each year which give a true and fair view of the state of affairs of the charitable company and the group and of the incoming resources and application of resources, including the income and expenditure, of the charitable group for that period. In preparing the financial statements, the trustees are required to:

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

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

The governors are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement as to disclosure to our auditors
In so far as the trustees are aware at the time of approving our governors' annual report:

- there is no relevant information, being information needed by the auditor in connection with preparing their report, of which the group's auditor is unaware, and

- the governors, having made enquiries of fellow directors and the group's auditor that they ought to have individually taken, have each taken all steps that he/she is obliged to take as a director in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

By order of the board of trustees



Lord Sainsbury of Turville (Chair)

14 September 2017

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

We have audited the financial statements of Institute for Government for the year ended 31 March 2017 which comprise the Group Statement of Financial Activities, the Group and Company Balance Sheets, the Group Cash Flow Statement and the related notes numbered 1 to 19.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice)

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

Respective responsibilities of Governors and auditor

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

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

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

Scope of the audit of the financial statements

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

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the charitable company's affairs as at 31 March 2017 and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and

- have been prepared in accordance with the requirements of the Companies Act 2006 and the Charities Act 2011.

Opinion on other matter prescribed by the Companies Act 2006

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

- the information given in the Governors' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Governors' 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 group and parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Governors' 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:

- the parent charitable company has not kept adequate accounting records; or
- the parent charitable company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of governors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the governors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemption in preparing the Governors' Annual Report.

Mike Hicks

Senior Statutory Auditor

For and on behalf of

Crowe Clark Whitehill LLP

Statutory Auditor

St Bride's House
London EC4Y 8EH

Date 11.10.17

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

INSTITUTE FOR GOVERNMENT
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
(INCORPORATING INCOME AND EXPENDITURE ACCOUNTS)
YEAR ENDED 31 MARCH 2017

INCOMING RESOURCES	Notes	Unrestricted General Fund	Designated Funds	Restricted Funds	2017 Total Funds	Unrestricted General Fund	Designated Funds	Restricted Funds	2016 Total Funds
Income and endowments from:		£	£	£	£	£	£	£	£
Charitable activities	4	3,855,003	-	384,092	**4,239,095**	3,646,048	-	423,798	4,069,846
Other trading activities	5	80,192	-	-	**80,192**	83,172	-	-	83,172
Investments		78	-	-	**78**	703	-	-	703
Other	6	67,919	-	-	**67,919**	53,421	-	-	53,421
Total		4,003,192	-	384,092	**4,387,284**	3,783,344	-	423,798	4,207,142
Expenditure on:									
Raising funds		41,463	-	-	**41,463**	39,709	-	-	39,709
Charitable activities	7	3,852,783	364,527	384,092	**4,601,402**	3,528,509	377,380	423,798	4,329,687
Total		3,894,246	364,527	384,092	**4,642,865**	3,568,218	377,380	423,798	4,369,396
Net income/(expenditure)		108,946	(364,527)	-	**(255,581)**	215,126	(377,380)	-	(162,254)
Transfers between funds	16	198,323	(198,323)	-	**-**	(201,764)	201,764	-	-
Reconciliation of funds:									
Total funds brought forward		355,192	1,663,993	-	**2,019,185**	341,830	1,839,609	-	2,181,439
Total funds carried forward		662,461	1,101,143	-	**1763,604**	355,192	1,663,993	-	2,019,185

The statement of financial activities includes all gains and losses recognised in the year. All income and expenditure derive from continuing activities.

INSTITUTE FOR GOVERNMENT
CHARITY AND GROUP BALANCE SHEETS
AS AT 31 MARCH 2017

	Notes	Group		Charity	
		2017	2016	2017	2016
		£	£	£	£
Fixed Assets					
Tangible fixed assets	12	701,143	1,026,018	701,143	1,026,018
Investments	13	-	-	100	100
		701,143	**1,026,018**	**701,243**	**1,026,118**
Current Assets					
Debtors	14	243,776	252,161	423,205	332,072
Cash at bank		2,049,707	1,551,344	1,870,178	1,471,343
		2,293,483	**1,803,505**	**2,293,383**	**1,803,415**
Current Liabilities					
Creditors: amounts falling due within one year	15	1,231,022	810,338	1,231,022	810,348
Net Current Assets		**1,062,461**	**993,167**	**1,062,361**	**993,067**
Total assets less current liabilities		**1,763,604**	**2,019,185**	**1,763,604**	**2,019,185**
Total Net Assets		**1,763,604**	**2,019,185**	**1,763,604**	**2,019,185**
The funds of the charity:	17				
Unrestricted Funds					
General Fund		662,461	355,192	662,461	355,192
Designated Funds		1,101,143	1,663,993	1,101,143	1,663,993
		1,763,604	**2,019,185**	**1,763,604**	**2,019,185**

The loss for the financial year dealt with in the financial statements of the parent company was £255,581 (2016: £162,254).

The governors have prepared group accounts in accordance with section 398 of the Companies Act 2006 and section 138 of the Charities Act 2011. These accounts are prepared in accordance with the special provisions of Part 15 of the Companies Act relating to small companies and constitute the annual accounts required by the Companies Act 2006 and are for circulation to members of the company.

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Lord Sainsbury of Turville
Chair of Board of Governors on behalf of the governors

Approved by the governors on 14 September 2017

INSTITUTE FOR GOVERNMENT

STATEMENT OF CASH FLOWS AND CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDING 31 MARCH 2017

	Group		Charity	
	2017	2016	2017	2016
	£	£	£	£
Cash used in operating activities	**537,937**	**443,910**	**438,409**	**650,863**
Cash flows from investing activities				
Interest income	78	703	78	703
Purchase of tangible fixed assets	(39,652)	(51,764)	(39,652)	(51,764)
Cash provided by (used in) investing activities	**(39,574)**	**(51,061)**	**(39,574)**	**(51,061)**
Increase (decrease) in cash and cash equivalents in the year	498,363	392,849	398,835	599,802
Cash and cash equivalents at the beginning of the year	**1,551,344**	**1,158,495**	**1,471,343**	**871,541**
Total cash and cash equivalents at the end of the year	**2,049,707**	**1,551,344**	**1,870,178**	**1,471,343**

RECONCILIATION OF NET MOVEMENT IN FUNDS TO NET CASH FLOW FROM OPERATING ACTIVITIES

	Group		Charity	
	2017	2016	2017	2016
	£	£	£	£
Net movement in funds	(255,581)	(162,254)	(255,581)	(162,254)
Add back depreciation charge	364,527	377,380	364,527	377,380
Deduct interest income shown in investing activities	(78)	(703)	(78)	(703)
Decrease (increase) in debtors	8,385	3,292	(91,133)	206,785
Increase (Decrease) in creditors	420,684	269,432	420,684	272,892
Increase (Decrease) in long-term creditors	-	(43,237)	-	(43,237)
Net cash used in operating activities	537,937	443,910	438,409	650,863

1. ACCOUNTING POLICIES

a) Basis of preparation

The financial statements have been prepared 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 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

Institute for Government meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy note(s).

b) Preparation of the accounts on a going concern basis

The Governors having assessed the charity's financial position, its plans for the foreseeable future, the risks to which it is exposed and forecast projections are satisfied that it remains appropriate to prepare the financial statements on the going concern basis. Further details on the Institute's going concern assessment are provided in the Governors' Annual Report on page 6.

c) Critical accounting judgements and estimate uncertainty

In the application of the charity's accounting policies, which are described in this note, Governors 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 underlying 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 only that period, or in the period of the revision and future periods. In the view of the Governors no assumption concerning the future or estimation uncertainty affecting assets and liabilities at the balance sheet date are likely to result in a material adjustment to their carrying amounts in the next financial year.

d) Group financial statements

In accordance with the requirements of SORP 2015 the financial statements consolidate the results of the charity and its wholly owned subsidiary IFG Enterprises Ltd on a line-by-line basis. The results of IFG Enterprises Limited are shown in Note 5.

e) Income

Income from any source including grants is recognised when the charity has entitlement to the funds, any performance conditions attaching to the item(s) of income have been met, it is probable that the income will be received and the amount can be measured reliably and is not deferred.

Our principal source of income, from the Gatsby Charitable Trust, is given as an annual grant towards our general operating costs. The grant is therefore recognised evenly across each financial year. For other grants and income for specific projects and Events series' income is recognised when any performance criteria have been met and with regard to the length of the project being funded or the number and timing of Events in a funded series.

Income received in advance for any event, project or room hire or provision of other specified service is deferred until the criteria for income recognition are met including when an event actually takes place or, where a project runs across financial years, with regard to resource inputs into a project or specific deliverable or performance criteria.

f) Fund accounting

Unrestricted funds are available to spend on activities that further any of the purposes of the charity. Designated funds are unrestricted funds of the charity which the governors have decided at their discretion to set aside to use for a specific purpose. Restricted funds are donations which the donor has specified are to be solely used for particular areas of the Institute's work or for specific projects being undertaken by the Institute.

g) Expenditure and irrecoverable VAT

Expenditure is recognised once there is a legal or constructive obligation to make a payment to a third party, it is probable that settlement will be required and the amount of the obligation can be measured reliably. Expenditure is classified under the following activity headings:

- Costs of raising funds comprise the costs of commercial trading including the bar and coffee lounge and their associated support costs;
- Expenditure on charitable activities includes the costs of events, projects and research and other activities undertaken to further the purposes of the charity and their associated support costs;
- Other expenditure represents those items not falling into any other heading.

Irrecoverable VAT is charged as a cost against the activity for which the expenditure was incurred.

h) Allocation of support costs

Support costs are those functions that assist the work of the charity but do not directly undertake charitable activities. Support costs include back office costs, finance, personnel, payroll and governance costs which support the Institute's projects and activities. These costs have been allocated between cost of raising funds and expenditure on charitable activities. The bases on which support costs have been allocated are set out in note 8.

i) Tangible fixed assets

Individual fixed assets costing £500 or more are recognised at cost and are depreciated over their estimated useful economic lives on a straight-line basis as follows:

Asset category	**Annual rate**
Long leasehold building	Based on term of the lease
Office equipment	33%
Furniture & fittings	20%

j) Financial instruments

Institute for Government has 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 and bank in hand together with trade and other debtors and accrued income. Financial liabilities held at amortised cost comprise trade creditors, other creditors and accruals.

At the balance sheet date the Institute held financial assets at amortised cost of £2,230,360 (2016 £1,768,710) and financial liabilities at amortised cost of £1,007,343 (2016 £620,838)

k) Debtors

Trade and other debtors are recognised at the settlement amount due after any trade discount offered.

l) Cash at bank and in hand

Cash at bank and cash in hand includes cash and short term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account.

m) Creditors and provisions

Creditors and provisions are recognised where the charity has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably.

The Charity has a money purchase scheme for qualifying employees. Pension costs charged to the Statement of Financial Activities represent the contributions payable by the Charity in the period.

n) Pensions

The Charity has a money purchase scheme for qualifying employees. Pension costs charged to the Statement of Financial Activities represent the contributions payable by the Charity in the period.

2. LEGAL STATUS OF THE INSTITUTE

The Institute is a company limited by guarantee incorporated in England & Wales and has no share capital. In the event of the charity being wound up, the liability in respect of the guarantee is limited to £1 per member of the charity. The Institute's registered office address is 2 Carlton Gardens, London, SW1Y 5AA.

3. FINANCIAL PERFORMANCE OF THE CHARITY

The consolidated statement of financial activities includes the results of the charity's wholly owned subsidiary which undertakes commercial activities including room hire on behalf of the charity. The summary financial performance of the charity alone is:

	2017 £	2016 £
Income	4,367,236	4,186,188
Gift aid from subsidiary company	16,219	17,085
	4,383,455	4,203,273
Expenditure on raising funds and charitable activities	4,639,036	4,365,527
Net Income	(255,581)	(162,254)
Total funds brought forward	2,019,185	2,181,439
Total funds carried forward	1,763,604	2,019,185
Represented by:		
Designated unrestricted income funds	1,101,143	1,663,993
General unrestricted income funds	662,461	355,192
	1,763,604	2,019,185

4. INCOME FROM CHARITABLE ACTIVITIES

	2017	2016
	£	£
Grant from Gatsby Charitable Foundation	3,761,473	3,511,473
Income from staff secondments	77,411	191,565
Project support	260,554	216,368
Events support	85,633	82,953
Other income from charitable activities	54,023	67,487
	4,239,094	4,069,846

The Gatsby Charitable Foundation continues to provide an annual inflation adjusted general purposes grant towards the operational costs of the Institute. This grant is formally committed until March 2019. The Gatsby Charitable Foundation has indicated its willingness to continue funding the Institute beyond March 2019.

5. INCOME EARNED FROM OTHER ACTIVITIES

The wholly owned trading subsidiary IFG Enterprises Limited is incorporated in the United Kingdom (company number 07240242) and pays all of its profits to the charity under the gift aid scheme. IFG Enterprises Limited continues to manage the commercial activities of the Institute for Government, principally room hire and other event management. Financial statements for the company's financial year to 31 March 2017 have been prepared. A summary of the trading results is shown below.

The summary financial performance of the subsidiary alone is:

	2017	2016
	£	£
Turnover	80,192	83,172
Cost of sales and administrative costs	(63,973)	(66,249)
Interest receivable	-	162
Net profit	16,219	17,085
Amount to be gift aided to the charity	(16,219)	(17,085)
Retained in subsidiary	-	-

Included in the results above is a management fee payable to the parent company of £60,144 (2016: £62,379) relating to the cost of sales of events held by IFG Enterprises Limited.

The total income of £80,192 (2016: £83,172) is shown as Income from Other Trading Activities and is unrestricted general fund income.

As at 31 March 2017, IFG Enterprises Limited had total assets of £183,845 and total liabilities of £183,745.

6. OTHER INCOME

Other Income of £67,919 (2016: £53,421) represents recharges to other tenants of 2 Carlton Gardens of utility and other service costs incurred by the Institute in respect of the whole building and is unrestricted general fund income.

7. ANALYSIS OF EXPENDITURE ON CHARITABLE ACTIVITIES

As in previous years there is no simple distinction between Research and Learning & Development as identifiably different charitable activities. As such expenditure on charitable activities is not segmented. The expenditure on our charitable work is analysed below.

	2017 £	2016 £
Staff salaries and other staff related costs	2,558,725	2,515,615
Premises and other building related costs	714,537	526,209
Events and Staff Catering	277,223	271,252
Transcription and other research costs	14,499	44,582
Office supplies	22,851	18,541
IT costs	105,780	92,678
Depreciation	364,527	377,380
Finance costs including bank charges	4,445	4,015
Website and media costs	142,142	97,873
Irrecoverable VAT	48,624	67,852
Governance costs	45,951	41,353
Support costs	302,098	272,336
Total	4,601,402	4,329,687

8. ANALYSIS OF GOVERNANCE AND SUPPORT COSTS

The Institute initially identifies the costs of its support functions. It then identifies those costs which relate to the governance function. The table below gives analysis of support and governance costs including the basis on which these are calculated.

	General support £	Governance £	Total £	Basis of calculation
Staff costs	207,400	-	207,400	Support function staff time spent on support function activities
Building costs	94,698	-	94,698	Support function staff as proportion of FTE staff
Audit and accountancy fees:				
- Audit	-	15,500	15,500	Governance
- Tax advisory	-	2,850	2,850	Governance
Legal and professional fees	-	27,601	27,601	Governance
Total	**302,098**	**45,951**	**348,049**	

9. ANALYSIS OF STAFF COSTS, TRUSTEE REMUNERATION AND EXPENSES AND THE COST OF KEY MANAGEMENT PERSONNEL

The aggregate payroll costs were as follows:

	2017 £	2016 £
Salaries and wages	2,270,010	2,256,741
Social security costs	229,991	255,121
Pension costs	207,813	186,395
Other costs	5,556	9,303
	2,713,370	2,707,560

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

	2017	2016
£60,000 - £69,999	3	2
£70,000 - £79,999	1	1
£80,000 - £89,999	2	1
£100,000 - £109,999	1	1
£110,000 - £119,999	2	2
£150,000 - £159,999	1	-
£220,000 - £229,999	-	1

Pension costs are allocated to activities in proportion to the related staffing costs incurred and are wholly charged to unrestricted funds.

The charity trustees were not paid or received any other benefits from employment with the charity or its subsidiary in the year (2016: £nil) neither were they reimbursed for expenses during the year (2016: £nil). No charity trustee received payment for professional or other services supplied to the charity (2016: £nil).

During the year there were redundancy or termination payments made which amounted to £26,000 (2016: £25,000). There was no outstanding liability at the year-end.

The key management personnel of the parent charity comprise the trustees, the Director, Deputy Director, Director of Finance & Operations and Programme Directors of the Institute for Government. The total employee benefits of the key management personnel of the charity were £1,059,225 (2016: £1,070,869).

The key management personnel of the group comprise the same as those of the Charity.

10. STAFF NUMBERS

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

	2017 No.	2016 No.
Research, Learning and Development	31	29
Office, management and services	14	14
	45	43

11. CORPORATION TAXATION

The charity is exempt from the tax on income and gains falling within section 505 of the Taxes Act 1988 or section 252 of the Taxation of Chargeable Gains Act 1992 to the extent that these are applied to its charitable objects.

12. TANGIBLE FIXED ASSETS

	Group and Charity			
Cost	**£ Leasehold Improvements**	**£ Office Equipment**	**£ Furniture & Fittings**	**£ Total**
Balance brought forward 1 April 2016	2,852,523	847,585	370,967	4,071,075
Additions	4,688	17,234	17,730	39,652
Balance carried forward at 31 March 2017	2,857,211	864,819	388,697	4,110,727
Depreciation				
Balance brought forward at 1 April 2016	1,958,592	782,496	303,969	3,045,057
Charge for the period	292,377	44,484	27,666	364,527
Balance carried forward 31 March 2017	2,250,969	826,980	331,635	3,409,584
Net book value at 31 March 2017	**606,242**	**37,839**	**57,062**	**701,143**
Net book value at 1 April 2016	893,931	65,089	66,998	1,026,018

13. INVESTMENTS

	Charity	
	2017	**2016**
	£	**£**
Investment in subsidiaries	100	100

The charity holds 100 shares of £1 each in its wholly owned trading subsidiary company IFG Enterprises Limited which is incorporated in the United Kingdom. These are the only shares allotted, called up and fully paid. The activities and results of this company is summarised in note 5.

14. DEBTORS

	Group		Charity	
	2017	**2016**	**2017**	**2016**
	£	**£**	**£**	**£**
Trade debtors	94,629	187,793	90,335	179,361
Other debtors	34,948	12,132	218,671	100,475
Prepayments and accrued income	114,199	52,236	114,199	52,236
	243,776	252,161	423,205	332,072

Included within Other debtors of the Charity is an amount due from IFG Enterprises Limited of £183,745 (2016: £88,343).

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Charity	
	2017	2016	2017	2016
	£	£	£	£
Trade creditors	124,021	257,702	124,021	257,702
Other taxation and social security	64,055	116,281	64,055	116,291
Accruals and deferred income	1,038,800	433,644	1,038,800	433,644
Other creditors	4,146	2,711	4,146	2,711
	1,231,022	810,338	1,231,022	810,348

Deferred income at 31 March 2017 is £172,264 (2016: £73,219).

In 2017 income was deferred on two smaller projects where the work overlaps 2016-17 and 2017-18 as well as six projects where invoices were raised in 2016-17 for work taking place in 2017-18. All of these deferrals were released in 2017-18.

In 2017 accruals were £866,537 (2016: £360,425). Most accruals relate to the annual rent for 2 Carlton Gardens. At the end of 2017 rent for the year had not yet been paid as the conclusion of the rent review process was awaited. The accrual represents the additional rent payable for 2015-16 and the anticipated revised rent payable for 2016-17.

16. ANALYSIS OF CHARITABLE FUNDS

Analysis of movements in unrestricted and restricted funds

	Balance 1 Apr 2016	Incoming resources	Resources used	Transfers	Balance 31 Mar 2017
	£	£	£	£	£
Unrestricted Income Funds					
General funds	355,192	4,003,192	(3,894,246)	198,323	662,461
Designated Funds					
Property and fixed asset fund	1,026,018	-	(364,527)	39,652	701,143
Capital and maintenance fund	400,000	-	-	-	400,000
Project Investment fund	237,975	-	-	(237,975)	-
Restricted Funds					
Charitable activities with restricted funding	-	384,092	(384,092)	-	-
TOTAL FUNDS	2,019,185	4,387,284	(4,642,865)	-	1,763,604

The transfers between funds reflect:

i) £237,975 of additional funds from the fund previously designated towards project investment as this activity does not need separate designation; and

ii) A transfer of £39,652 to put aside within designated funds a sum equal to the net book value of the Institute's fixed assets as these assets are not liquid.

Analysis of movements in unrestricted and restricted funds

	Balance 1 Apr 2015	Incoming resources	Resources used	Transfers	Balance 31 Mar 2016
	£	£	£	£	£
Unrestricted Income Funds					
General funds	341,830	3,753,166	(3,538,040)	(201,764)	355,192
Designated Funds					
Property and fixed asset fund	1,351,634	-	(377,380)	51,764	1,026,018
Capital and maintenance fund	250,000	-	-	150,000	400,000
Project Investment fund	237,975	-	-	-	237,975
Restricted Funds					
Charitable activities with restricted funding	-	453,976	(453,976)	-	-
TOTAL FUNDS	2,181,439	4,207,142	(4,369,396)	-	2,019,185

The property and fixed asset fund represents funds set aside equivalent to the net book value of the fixed assets of the organisation. The fixed assets are depreciated over time and therefore it is appropriate to put funds aside covering the reduction in economic value of the Institute's fixed assets.

The capital and maintenance fund represents funds put aside to cover future costs in relation to 2 Carlton Gardens which, by their nature, can be both large and unpredictable in timing.

The Project Investment Fund had been put aside to provide funding for new project initiatives. As this is a continual and necessary part of the operations of the Institute it was felt these funds would be better represented as general.

17. ANALYSIS OF GROUP NET ASSETS BETWEEN FUNDS

	Unrestricted funds		Restricted funds	Group total funds
	General	Designated		
Fund balances at 31 March 2017 are represented by:	£	£	£	£
Tangible fixed assets	-	701,143	-	701,143
Current assets	1,893,483	400,000	-	2,293,483
Current liabilities	(1,231,022)	-	-	(1,231,022)
	662,461	**1,101,143**	**-**	**1,763,604**

	Unrestricted funds		Restricted funds	Group total funds
	General	Designated		
Fund balances at 31 March 2016 are represented by:	£	£	£	£
Tangible fixed assets	-	1,026,018	-	1,026,018
Current assets	1,165,530	637,975	-	1,803,505
Current liabilities	(810,338)	-	-	(810,338)
	355,192	**1,663,993**	**-**	**2,019,185**

18. OPERATING LEASE COMMITMENTS

At 31 March 2017, the charity had the following total operating lease commitments:

	Group		Charity	
	2017	2016	2017	2016
	£	£	£	£
Operating lease commitments due:				
Not later than one year	465,000	205,000	465,000	205,000
Later than one year and not later than five years	960,000	615,000	960,000	615,000
Later than five years	-	-	-	-

The above commitments are for an operating lease on 2 Carlton Gardens.

Following a rent review the annual commitments from April 2015 have been set at £445,000 increasing by £10,000 per annum until the end of the lease term in April 2020. As a result, the commitment in 2017-18 will be £465,000 and thereafter the commitment to April 2020 when the current least expires will be £960,000.

Provision has been made in the annual accounts for the increased in rental costs relating to the year-ended 31 March 2016.

19. RELATED PARTY TRANSACTIONS

The Institute is seeking assignment of the head lease to 2 Carlton Gardens from the Secretary of State for Communities and Local Government which would allow us to sub-let unused parts of the building. Whilst the Institute waits for this to be concluded, Full Fact have been allowed to use the third floor of the building. Lord Sharkey is a trustee of Full Face but was not involved in these arrangements. There have been no other related party transactions during the reporting period that require disclosure.

The charity does undertake transactions with its wholly owned subsidiary IFG Enterprises Ltd in the normal course of business. This includes recharges to IFG Enterprises Limited of £60,144 (2016: £62,249) for the costs incurred by the Institute in supporting the external hire business of IFG Enterprises Ltd. The remaining profits from its business are gift aided by IFG Enterprises Limited to the Institute. In 2017 this is £16,218 (2016: £17,085).