

Charity Registration No. 1096300

Company Registration No. 4297905 (England and Wales)

POLICY EXCHANGE LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2020

POLICY EXCHANGE LIMITED

LEGAL AND ADMINISTRATIVE INFORMATION

Trustees	Pamela Dow	
	Alexander Downer	
	Andrew Feldman	
	David Harding	(Appointed 2 April 2020)
	Patricia Hodgson	
	Greta Jones	
	Andrew Law	(Appointed 22 January 2021)
	Charlotte Metcalf	
	David Ord	(Appointed 2 April 2020)
	Roger Orf	
	Andrew Roberts	
	Robert Rosenkranz	
	William Salomon	(Appointed 2 April 2020)
	Peter Wall	
	Simon Wolfson	(Appointed 2 April 2020)
	Nigel Wright	
Director	Dean Godson	
Charity number	1096300	
Company number	4297905	
Registered office	Acre House 11-15 William Road London United Kingdom NW1 3ER	
Auditor	HW Fisher LLP Acre House 11-15 William Road London United Kingdom NW1 3ER	
Bankers	Natwest Bank PLC 135 Bishopsgate London EC2M 3UR	
	Barclays Bank PLC 1 Churchill Place London E14 5HP	

POLICY EXCHANGE LIMITED

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TRUSTEES' REPORT (INCLUDING DIRECTORS' REPORT)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

The Trustees present their report and financial statements for the year ended 30 September 2020.

The financial statements have been prepared in accordance with the accounting policies set out in note 1 to the financial statements and comply with the Charity's Memorandum and Articles of Association, the Companies Act 2006 and "Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their financial statements in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS102)" (effective 1 January 2019).

Objects of the Charity and Mission

The objects of Policy Exchange as set out in its memorandum and articles are as follows:

The non partisan advancement of education in the economic, social and political sciences and their effect on public policy and the policy making process in the UK and the promotion and publication of objective research.

Policy Exchange is one of the UK's leading independent think tanks. As an educational charity, our mission is to develop and promote new policy ideas which deliver better public services, a stronger society and a more dynamic economy for all.

The Trustees have considered the Charity Commission's guidance on public benefit and place a number of objectives at the heart of their strategic thinking when considering how best to discharge Policy Exchange's mission:

- **Quality of research** – the Trustees consider that the authority and credibility of Policy Exchange's research output must be of the highest standard in order to ensure that its work has maximum impact. Policy Exchange does not take commissions. Its research is independent and evidence-based, and draws upon a wide circle of academics, field specialists and practitioners in order to better inform its thinking and conclusions. The Charity recruits senior policy experts from the political, business and academic worlds and is proud of its research heads and advisers who are well established thought leaders in their respective fields.
- **Dissemination of ideas** – Policy Exchange makes use of a wide range of communications channels to reach as broad an audience as possible. Its communications strategy is constantly reviewed in order to take advantage of new developments and the Charity measures the quality and quantity of its audiences closely as it seeks to reach out to new audiences, both nationally and internationally. Policy Exchange's output takes the form of long and short written reports, blogs and articles for the national press, a lively programme of events (which are live streamed), interactive webinars and broadcast media interviews and set pieces. Social media platforms and the Charity's website are central to achieving its aims and Policy Exchange devotes significant and on going resources to keeping them fresh and lively.
- **Two way dialogue with policy makers and opinion formers from across the political spectrum** – Policy Exchange works closely with key decision makers and policy experts of all political stripes, with whom it also shares its reports and ideas. Impact is measured by the extent to which the Charity's work is able to influence policy change, to the benefit of the wider public.

Structure, Governance and Management

Policy Exchange is a registered charity, number 1096300, and is constituted as a Charitable Company limited by guarantee governed by its Memorandum and Articles of Association dated 9 November 2001 and revised on 3 May 2011. The company was registered as a charity with the Charity Commission of England and Wales on 3 March 2003.

The Trustees, who are also Members of the Charity, serve a four year term before being required to seek re-election. None of the Trustees has any beneficial interest in the Company. The Trustees delegate the day-to-day running of the Charity to the Senior Management Team. The Senior Management Team makes quarterly reports to the Board of Trustees on any significant matters across all areas of the Charity, including changes in staff, policy research and financial issues. The Board of Trustees is responsible for making major decisions of a strategic nature with regard to both Policy Exchange Limited and its trading subsidiary Policy Exchange Events Limited (formerly The Ideas Space Limited).

A separate Risk and Remuneration Committee, comprising three Trustees who serve on the Main Board, meets annually – or more often if required – to review the major risks which might threaten the successful operation of the Charity. Matters around pay and compensation for the Charity's Director are also part of the Committee's remit, which reports directly to the Chairman of Trustees at the relevant meeting of the Full Board of Trustees.

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Achievements and performance

2019/20 was another unpredictable year, which saw a General Election, the ratification of the EU-UK Withdrawal Agreement and the UK's exit from the EU, followed shortly by the emergence of a global pandemic. As well as consuming much of the policy debate in the UK, this led to important changes in how Policy Exchange operates. Policy Exchange adjusted swiftly to the disruption caused by the coronavirus crisis, shifting our output to contribute to the most pressing policy issues of the day, while establishing an in-house events studio to allow us to shift our high-quality events programme over to online webinars.

Over 2019/20, Policy Exchange research covered a wide range of issues, including social care reform; FinTech; powering to Net Zero; rethinking the planning system; public sector fraud; the Constitution; and the skills shortage. We hosted a range of speakers at Policy Exchange events, including Rt Hon Boris Johnson MP in his first address at any UK think tank as Prime Minister; Health Secretary Rt Hon Matt Hancock MP; former First Secretary of State Rt Hon Lord Mandelson; US Secretary of State Hon Michael R. Pompeo; Julianne Smith, former Deputy National Security Advisor to Vice-President Joe Biden; former Commander in Chief of US Central Command General David Petraeus; German Health Minister Jens Spahn; Secretary of State for International Trade Rt Hon Liz Truss MP; former Chancellor of the Exchequer Rt Hon Lord Darling of Roulanish; former Governors of the Bank of England Mark Carney and Lord King of Lothbury; General Sir Nick Carter, Chief of the Defence Staff; and National Crime Agency Director General Lynne Owens CBE QPM among others.

Policy Exchange produced 53 publications, as well as hosting 41 events over the course of 2019/20 and the 2020 Party Conference season.

Reports and their influence

Policy Exchange's *McDonnellomics* report addressed the economic policy debate stimulated in 2019 by the then Shadow Chancellor, John McDonnell. Published in October 2019, the study assessed the macro-economic agenda being put forward by the Shadow Chancellor, and was covered by *The Financial Times* and *The Daily Telegraph*. As the pandemic took hold, Policy Exchange produced papers on various topics relating to the economic dimension of the COVID-19 crisis. In March 2020, *Limiting the Economic Impact of the Covid-19 Virus*, an analysis of the Chancellor of the Exchequer Rt Hon Rishi Sunak MP's policy response to the coronavirus crisis, was published. This was followed in April by *Speed, Scale and Simplicity*, a comprehensive review of the UK Government's economic measures deployed to tackle the crisis; and *Helping Britain's Start-ups* – a paper examining the need to protect and further stimulate the culture of business start-ups and innovation in the UK. In *A Pro-Growth Economic Strategy* and *Why the Government should spend more on capital* (both June 2020) Policy Exchange looked beyond day-to-day crisis management at how best to ensure a rapid recovery for the economy, through credible fiscal activism, monetary policy and supply-side reform, and higher spending on infrastructure investment. These reports were covered, among others, by *Politico*, *The Daily Telegraph*, and *The Sun*.

Health policy naturally emerged as a priority during the reporting period. Policy Exchange published *The People's NHS* in December 2019, which showed that the Government was in tune with the general public's thinking on the key problems facing the Health Service, in particular the shortage of doctors and nurses. Building on previous Policy Exchange research on social care, April 2020 saw the publication of *Ending The Divide*, which argued that the coronavirus crisis proves the artificiality of the funding divide between the NHS and social care, and looked at how the pandemic could be a watershed moment for social care reform. The initial report was followed by a joint polling project with the Institute for Public Policy Research (IPPR), which detected a new national consensus emerging on the future of social care funding and reform. This was reported by *The Sun* and *The Telegraph*.

Analysis of how Whitehall operates in a crisis – in particular why it turned to Military Planners – formed the basis of *Operation COVID-19*, a report published in June 2020 with a Foreword by General (Ret.) Sir Peter Wall. *Covid-19 across Ireland*, published in May 2020 with a Foreword by Lord Caine of Temple Newsam, former Special Adviser to six Secretaries of State for Northern Ireland, looked at what available data at the time could tell us about how Northern Ireland and the Irish Republic were faring in the crisis.

Policy Exchange's key contribution in 2019/20 to the ongoing debate on UK housing policy was a report published in January 2020, *Rethinking the Planning System for the 21st century*. The report drew on a 12-member advisory panel with expertise from across the housing sector, and made the case for a radical simplification of the planning system. Professor Ed Glaeser of Harvard University, a leading thinker on urban renewal, wrote the Foreword for the report, which was published alongside a collection of essays, *Planning Anew*, on reforming the planning system. The report was covered by *The Sun*, the BBC's *Today* programme, and *The Times*. Policy Exchange continued to make the case for the importance of 'building beautiful', publishing a collection of essays in October 2019 from thinkers across a range of sectors from law to architecture, which fed into the Government's Building Better, Building Beautiful Commission. Policy Exchange also argued in *Revitalising Key Worker Housing* (November 2019) that as part of reforms to Affordable Housing policy, the Key Worker Housing initiative should be brought back.

In the field of education and skills, Policy Exchange revisited previous research into school inspections in a report examining Ofsted's new Inspection Framework, *The Watchmen Revisited*, published in February 2020 and accompanied by a Foreword by the former

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Education Secretary, Rt Hon Baroness Morgan of Cotes. Policy Exchange also published two reports on Higher Education, *Academic Freedom in the UK* in November 2019 and *Universities at the Crossroads* in February 2020. These reports examined the status of free speech in Higher Education Institutions and set out the steps that university leaders must take to put their institutions on a robust footing, and were covered by *The Times*, *The Mail* and *The Daily Telegraph*. The recommendations in the *Academic Freedom* study were later adopted wholesale by the Government. As coronavirus restrictions left many people unable to work, Policy Exchange published *A training opportunity in the crisis* in May 2020, which argued that the pandemic underlined the need for an education and training system that is better aligned with the economic and social needs of the UK. This was followed by the publication of *The Training We Need Now* in June 2020, a collection of essays on technical training, lifelong learning and apprenticeships.

A collection of essays published in January 2020, *Visions of ARPA*, explored how the Conservatives could deliver upon their 2019 manifesto commitment to create an Advanced Research Projects Agency. It included essays from a range of experts, including two former science ministers, academics, and an engineer and was prefaced by Dr William Schneider Jr, former Chair of the US Defense Science Board.

Policy Exchange published a range of reports covering the field of Energy and Environment in 2019/20, from re-forestation to electric vehicles. *Bigger, Better Forests*, published in December 2019 with a Foreword by the BBC's John Humphrys, set out how to make re-forestation as effective as possible in light of the cross-party support for this issue. In July 2020, *Route '35*, which called for a California-style Zero Emission Vehicle mandate, was published along with a Foreword by Transport Secretary Rt Hon Grant Shapps MP and coverage in *The Financial Times* and *CityAM*. In response to the emergence of COVID-19, Policy Exchange analysed the growing threat of zoonotic diseases, calling for a new WMD-style inspection regime to police high-risk ecological disruption. This analysis was published in an April 2020 report, *Outbreaks and Spillovers*, which included a Foreword by former Foreign Secretary Rt Hon Lord Hague of Richmond and was covered by *The Times*. In September 2020, Policy Exchange published a paper titled *The Future of UK-EU Energy Cooperation*, which made recommendations on how the two parties could work together on energy after Brexit.

Another Brexit-related report was published in July 2020, examining the opportunities and challenges facing negotiators ahead of talks on a UK-US Free Trade Agreement. *The Art of a US-UK trade deal* received media coverage in *Politico* and in *The Telegraph*. Looking forward to the future of post-Brexit Britain, Policy Exchange also announced the launch of the Indo-Pacific Commission in July 2020. Led by the former Canadian Prime Minister Rt Hon Stephen Harper and joined by diplomats, politicians and military and civil leaders drawn from the United Kingdom, the United States and across the Indo-Pacific region, the Commission will explore a new strategic approach to the region as part of the UK's emerging Global Britain strategy.

In the wake of the 2019 General Election, Policy Exchange published *The First Hundred Days*, a briefing paper highlighting how the Government could implement the pledges in its 2019 manifesto; and *Whitehall Reimagined*, which explored how to use the opportunity of the stability created by the election result to reform the Civil Service.

Policy Exchange published a range of Judicial Power Project papers in 2019/20. Two reports relating to prorogation, *Putting Royal Assent in Doubt?* and *The Case of Prorogation*, were published in October 2019, followed by *The Fixed-term Parliament Act and the Next Election*, also published in October. *Lawfare*, which sets out new measures on how the next Government must protect our soldiers from excessive litigation, was published in November 2019 with a Foreword by General (Ret.) David Petraeus. On the subject of the Constitution, three reports were published between December 2019 and February 2020, *Protecting the Constitution*, *The Future for Constitutional Reform*, and *The Law of the Constitution before the Court*. In *Legislating for the relaxation of the lockdown*, published May 2020 and covered by *The Telegraph*, Policy Exchange examined what lessons can be learned from the first stage of the coronavirus crisis and applied to legislating for the next stage. Two reports exploring how the law has been misapplied in the past, *Mishandling the Law: Gerry Adams and the Supreme Court* and *Against Executive Amendment of the Human Rights Act 1998*, were published in May and June 2020, followed by *Reforming the Supreme Court* in July 2020, which included a Foreword from Lord Thomas of Cwmgiedd, former Lord Chief Justice of England and Wales. In September 2020 the Judicial Power Project published a research note in relation to the Overseas Operations (Service Personnel and Veterans) Bill, written by Policy Exchange Senior Fellow John Larkin QC, former Attorney General for Northern Ireland.

In the area of crime and policing, Policy Exchange published *Policing a pandemic* in March 2020, which highlighted the key challenges the virus created for the police force, including maintaining law and order over periods of heightened restrictions and dealing with new, coronavirus-related crimes. The report was covered by *The Times*, *ITV*, *Politics Home*, *The House* and *Conservative Home*. Policy Exchange built on this work by publishing *Daylight Robbery* in July 2020, which looked into the scale and nature of public sector fraud, with a particular focus on how criminals have changed their behaviour in light of the pandemic. Former Home Secretary Rt Hon Lord Blunkett wrote the Foreword and the report was endorsed by Rt Hon Sajid Javid MP, with coverage from the BBC, the *Daily Express*, and the *Mirror*.

In light of the case of Usman Khan, an Islamist terrorist who committed an attack at the Fishmongers' Hall in central London in 2019 following his supposed rehabilitation and release from prison, Policy Exchange argued that we must place public safety at the heart of criminal justice and the prisons system in a report published in January 2020, *Justice that protects*. The following month, Policy

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Exchange published the report *The Trial: the strange case of Trevor Phillips - How the accusation of Islamophobia is used to stifle free speech*, which included a Foreword by Labour front bencher Khalid Mahmood MP and an Afterword by Kyai Haji Yahya Cholil Staquf, General Secretary of the Nahdlatul Ulama Supreme Council of Indonesia, the world's largest Muslim organisation.

Policy Exchange launched the History Matters Project in June 2020, chaired by Trevor Phillips, and bringing together a senior panel of historians, thinkers and experts in public policy to reflect on how history is publicly debated; how it is presented in our institutions; how it is taught in our schools and universities; and how it can be used to create a shared sense of belonging and identity that befits 21st century Britain. This project is part of the New Politics Monitor, which seeks to monitor the drift towards ever more abrasive forms of political discourse. As an ongoing part of the project, Policy Exchange publishes regular newsletters on the subject, of which four were released in 2019/20.

As technology touches on all areas of policy, our work in this area has ranged from finance to health policy. January 2020 saw the publication of *FinTech For All*, which received cross-party support and featured a Foreword by three Conservative MPs from the 2019 intake and an Afterword by the former Chancellor of the Exchequer, Rt Hon Lord Darling of Roulanish. In response to the pandemic, Policy Exchange explored the impact digital contact tracing could have on our ability to tackle the COVID-19 crisis in a report published in April 2020, *Exiting the Lockdown*, that took into particular account the way in which Asian countries have used new technology to suppress outbreaks of disease in the past.

Impact on government policy

A range of Policy Exchange proposals were adopted by the political parties in their manifestos for the 2019 General Election and as government policy over the course of 2019/20. Policies from 24 different Policy Exchange reports featured in the manifestos of the Conservative Party, Labour Party, Liberal Democrats and Green Party. For example, both the Conservative and Labour Party manifestos included recommendations from Policy Exchange's 21st Century Social Care (2019) report, while the Liberal Democrats manifesto echoed calls in *Rekindling British Policing* (2019), to restore community policing and properly resource the National Crime Agency. The Green Party advocated for high quality design for new homes respecting local architectural heritage, a key Policy Exchange recommendation from *Building Beautiful* (2019).

Prior to the election UK Research and Innovation (UKRI) announced £18m of funding to develop a concept design for Small Modular Reactors (SMRs) in November 2019. This echoes Policy Exchange's recommendation in its 2019 report, *Small Modular Reactors*, which called for the Government to fund design studies for SMRs. In the same month, the Government also announced that the National Space Council would now be listed as a Cabinet-level committee, chaired by the Prime Minister, which Policy Exchange recommended in July 2019, in the report *Space: What do we want from the next Prime Minister?*.

Following the election and the UK's withdrawal from the EU, Policy Exchange has influenced the Government's strategy towards post-Brexit Britain with regards to domestic and trade policy. In February 2020, the Government confirmed that farmers would be given the option of a lump-sum payment rather than a gradual phase-out of production subsidy payments as part of post-Brexit replacement of the Common Agricultural System's production subsidy policy. This directly implements a recommendation in Policy Exchange's 2017 report, *Farming Tomorrow*.

The Government also announced its intention to accede to the CPTPP in June 2020, following the recommendations of Policy Exchange's *Trading Tigers* (2018) report, which highlighted how this could be done.

With regards to the coronavirus pandemic, in September 2020, the Government announced its support for creating a worldwide network of zoonotic research hubs to spot pandemics before they start. This strongly reflects Policy Exchange's recommendation in its May 2020 report, *Outbreaks and Spillovers*, for a new international monitoring regime led by a strengthened co-ordinating body like the United Nations. Policy Exchange has also been a strong advocate for the use of fiscal policy, not monetary policy, to help the economy through this crisis, with an emphasis on infrastructure investment. This was highlighted in *A Pro-Growth Economic Strategy* and *Why the Government should spend more on capital* (both June 2020), and has been the defining feature of the Chancellor's response to the COVID-19 crisis.

Over the course of 2019/20, a range of policies have been adopted from Policy Exchange's *Modernising the UK* (2019) report. In the 2020 Budget, the Government announced the creation of a new 'Rapid Charging Fund' to develop a comprehensive network of rapid charging stations for electric vehicles, echoing Policy Exchange's calls for the Government to create an interoperable ultra-fast charging network for EVs throughout the UK. Another Policy Exchange recommendation from this report, which called for the Government to work with car makers to encourage the creation of battery 'Gigafactories', was adopted in August 2020 when the Government announced the £1bn 'Automotive Transformation Fund', which will support UK manufacturers to develop supply chains for electric vehicles. Furthermore, in September 2020, the Government announced a £40 million 'Green Recovery Challenge Fund' to support environmental projects which create and retain jobs as part of its wider economic recovery plan. This follows from another Policy Exchange recommendation in *Modernising the UK* (2019), which called for the creation of a 'Rural Skills Transition

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Fund' to help rural areas lead the way in moving to a Net Zero future through conservation skills development. Policy Exchange also recommended the Government accelerate the delivery of full-fibre and gigabit capable broadband to every home and business across the UK by 2025, which featured in the Queen's Speech in October 2019.

Emergency legislation in February 2020, the *Terrorist Offenders (Restrictions of Early Release) Act*, blocked automatic early release of terrorism offenders, as called for by Policy Exchange's *Justice that Protects* (2020) report. The report also argued that sentences for terrorism offenders are too lenient, and called for better assessments of the threat posed by those being released, alongside a more stringent approach to monitoring. This was reflected in the *Counter-Terrorism and Sentencing Act* (first reading May 2020), which legislated for longer sentences for terrorism offenders, and stricter monitoring once these offenders have left custody.

The Overseas Operations (Service Personnel and Veterans) Act (first reading March 2020), drew on recommendations put forward by Policy Exchange's Judicial Power Project, including protecting veterans from vexatious legal claims that undermine the Armed Forces, ending the endless cycle of investigations, and requiring consent to prosecute by the Attorney General. This was covered in two Policy Exchange reports, *Protecting those who serve* (2019) and *The ECHR and the future of Northern Ireland's past* (2020).

Almost every element of the Government's Planning White Paper *Planning for the Future* (August 2020) was drawn from the Policy Exchange report, *Rethinking the Planning System for the 21st Century* (2020) – even the name. This includes the simple two type zoning system, simplifying local engagement and democracy, the goal to streamline and speed up applications, and the motives and language used.

Party Conferences 2020

Our broad programme of research was explored in virtual events at both the Labour and Conservative Party conferences. Policy Exchange hosted approximately 30,000 online viewers, watching live and after the event on 5 different platforms.

At the Labour Party Conference, Policy Exchange hosted a wide-ranging series of discussions, including on foreign and defence policy, higher education, building beautiful, and Labour's agenda for the Red Wall. Speakers included Rt Hon John McDonnell MP, former Australian Prime Minister Hon Kevin Rudd, Jon Cruddas MP, Stephen Kinnock MP, Khalid Mahmood MP, Juliet Samuel, Sebastian Payne, Dr Rachel Dickinson and Alun Francis.

At the Conservative Party Conference, we hosted events on a variety of issues, including upscaling the UK's digital infrastructure, academic freedom, the NHS, meritocracy, the Union, and Human Rights law. Speakers included Rt Hon Matt Hancock MP, Rt Hon Robert Jenrick MP, Rt Hon Dr Thérèse Coffey MP, Rt Hon Anne-Marie Trevelyan MP, Baroness Finn, Ben Houchen, Dame Patricia Hodgson, Tom Tugendhat MP, Kate Andrews, and Patrick McGuinness CMG OBE.

Events highlight

Policy Exchange hosted a range of events over this period to accompany our reports, including:

- *Launch of "Margaret Thatcher: Herself Alone"* – Rt Hon Boris Johnson MP, Charles Moore - October 2019
- *The National Design Guide: A Vision for Building Beautifully Designed Homes*– Speech by Rt Hon Robert Jenrick MP (Secretary of State for Housing, Communities and Local Government), hosted with Create Streets – October 2019
- *Security and Crime after Brexit: keeping Britain safe* - Rt Hon Brandon Lewis MP (Minister of State for Security), Lord Evans of Weardale KCB DL (former Director-General of the Security Service), Baroness Falkner of Margravine (former member of the Joint Lords & Commons National Security Strategy Committee), Khalid Mahmood MP (Shadow Minister for Europe in the Labour Foreign & Commonwealth Affairs team), Lynne Owens CBE QPM (Director General of the National Crime Agency), Rt Hon Lord West of Spithead GCB DSC (former First Sea Lord, former Security Minister) – October 2019
- *The Future of the Special Relationship* – Hon Michael R. Pompeo (United States Secretary of State) in conversation with Rt Hon Dominic Raab MP (Secretary of State for Foreign, Commonwealth and Development Affairs and First Secretary of State) - January 2020
- *Everything is different now: the UK economy and the Coronavirus crisis* – Rt Hon Lord Darling of Roulanish (former Chancellor of the Exchequer), Lord King of Lothbury (former Governor of the Bank of England), Lord Macpherson of Earl's Court (former Permanent Secretary at HM Treasury), Dr Gerard Lyons (former Economic Adviser to London Mayor Boris Johnson; and Senior Fellow, Policy Exchange), chaired by Juliet Samuel (Senior Fellow at Policy Exchange and *Daily Telegraph* columnist) – April 2020
- *Global Britain and the CPTPP: Advancing UK trade and investment in the Asia-Pacific* – Rt Hon Liz Truss MP (Secretary of State for International Trade), Hon Tony Abbott AC (former Prime Minister of Australia), Rt Hon Stephen J. Harper (22nd Prime Minister of Canada), Rt Hon Lord Mandelson (former First Secretary of State, former European Commissioner for Trade), Hon Chan Chun Sing (Minister for Trade and Industry of Singapore), chaired by Juliet Samuel (Senior Fellow at Policy Exchange and *Daily Telegraph* columnist) – July 2020

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- *The Future of Public Health* – Speech by Rt Hon Matt Hancock MP (Secretary of State for Health and Social Care) – August 2020
- *Future Defence: The Integrated Operating Concept* – Rt Hon Ben Wallace MP (Secretary of State for Defence), General Sir Nick Carter (Chief of the Defence Staff), chaired by General (Ret.) David Petraeus (former Commander of United States Central Command) – September 2020

Digital Outreach

The Policy Exchange website is our digital shop window, and the site attracted over 622,651 page views in 2019/20, from more than 270,000 unique users. This represents a 20% increase on the same period last year. 64% of our website traffic comes from the UK, with 9% from the US. We look forward to growing this further with the launch of our new Policy Exchange Website in 2021.

On Social Media, our Twitter presence has grown from 45,000 to 49,000 over the course of 2019/20. We have seen a significant uptick in growth on the platform with 2.5 million impressions over this period. Much of this growth has been driven by our enhanced digital events offering, following the creation of our in-house studio. On YouTube, our subscriber base continues to grow with over 4,700 subscribers (compared to 3,500 in October 2019) and we have seen the number of views of Policy Exchange events on this platform increase by over 60% to almost 150,000 views over the course of 2019/20. This is in addition to the 80,000 views of events on Facebook and Twitter. LinkedIn has seen steady growth over this period as we invest in the platform and find new ways to interact with stakeholders. We currently have just under 8,000 followers.

Future Plans

Policy Exchange will continue to develop and promote new policy ideas which deliver better public services, a stronger society and a more dynamic economy. The Health and Social Care Unit is conducting a major piece of research on the future for public health policy, while the Economics and Social Policy Unit is investigating the consequences of the coronavirus crisis on the labour market. The technology unit is also expecting to publish a major new report on digital identity, and in the security space, we are planning a new project aimed at revealing the latest thinking in Islamist circles, in order to help inform UK policymakers in the counter-extremism field.

The Policy Exchange Indo-Pacific Commission, which was announced in July 2020, published the report in Q4 of 2020, which will set out a new approach for British foreign policy in the region. This will examine questions of trade, diplomacy, politics, defence and security that centre on the Indo-Pacific, and make recommendations ahead of the publication of the Government's Integrated Review of Security, Defence, Development and Foreign Policy.

Policy Exchange launched the Wolfson Economics Prize in early 2021, looking at how best to design and plan new hospitals to radically improve patient experiences, clinical outcomes, staff wellbeing, and integration with wider health and social care. Entrants will have to submit an essay of up to 10,000 words for a chance to win £250,000.

Policy Exchange will continue to provide a speaking platform for UK and international thought leaders, with speakers from across the policy spectrum. Before the end of 2020, events were held with Northern Irish First Minister Rt Hon Arlene Foster MLA, Deputy National Security Advisor to the President of the United States Matthew Pottinger, and Foreign Secretary of India H. E. Harsh Vardhan Shringla.

Fundraising

Policy Exchange relies on the support of a broad spread of regular donors for its work. Fundraising for specific research and events is done on a project by project basis, according to Policy Exchange's own research priorities, and its editorial independence is a precondition of any engagement with donors. Policy Exchange does not work with any external professional fundraisers or employ any large scale targeted fundraising activities and therefore does not participate in any fundraising regulatory schemes, relying instead on the quality of its research and its proven track record of effecting policy change, in order to attract support for its on going work. Fundraising costs incurred by the Charity during the year mainly comprise salaries.

Financial Review

The results for the year and financial position of the Charity are set out in the annexed financial statements.

Policy Exchange was pleased to record a surplus of £131,923 on slightly reduced income of £3,348,990 (2019: 3,392,349). The surplus was largely due to a fall in research and event costs as a result of a switch to online events due to the coronavirus restrictions.

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Reserves Policy

The Trustees recognise the need to hold reserves and allow for seasonal or other fluctuations in donations and/or expenditure.

Total reserves at 30 September 2020 stood at £1,927,807 of which £1,308,960 were general unrestricted and £150,000 were designated unrestricted, therefore overall £1,458,960 (76%) were unrestricted. The trustees have expended some sums previously allocated to specific projects, leaving a balance on designated funds of £150,000 (2019: £206,228), following the release of sums previously allocated. Residual Designated Funds comprise sums earmarked by the Trustees for core projects, including on going website and event space improvements.

The Trustees review carefully the level of unrestricted reserves and aim to keep a level of unrestricted reserves equivalent to between four and six months' regular operating costs in order to manage any unexpected shocks. At £1,458,960, unrestricted reserves at 30 September 2020 comfortably exceeded this requirement and the Trustees are therefore satisfied that the Charity's reserves are sufficient.

Directors and Trustees

The Directors of the company are also Trustees of the Charity, and there are no other trustees. The following Directors served throughout the year and up to the date of signature of the financial statements except where noted:

Diana Berry	(retired 15.04.21)
Pamela Dow	(appointed 10.12.18) (on Leave of Absence)
Alexander Downer	
Andrew Feldman	
Candida Gertler	(retired 05.12.19)
David Harding	(appointed 02.04.20)
Patricia Hodgson	
Greta Jones	
Andrew Law	(appointed 22.01.21)
Edward Lee	(retired 05.06.21)
Charlotte Metcalf	
David Ord	(appointed 02.04.20)
Roger Orf	
Andrew Roberts	
George Robinson	(retired 15.04.21)
Robert Rosenkranz	
William Salomon	(appointed 02.04.20)
Peter Wall	
Simon Wolfson	(appointed 02.04.20)
Nigel Wright	

Appointment and Training of Trustees

Trustees may, from time to time, and at any time, appoint any person to be a Trustee at any of the Quarterly Board Meetings.

All Trustees have successful track records in the fields of journalism, commerce, the arts, the armed services, academia or government. Each one has experience in participating in formal committee structures and understands the responsibilities of acting as a trustee for a charitable organisation. All new Trustees are given the opportunity to spend time with management to familiarise themselves with the operations and understand the key issues that surround the organisation.

POLICY EXCHANGE LIMITED

TRUSTEES' REPORT (INCLUDING DIRECTORS' REPORT)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

Statement of disclosure to auditor

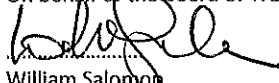
So far as each person who was a trustee at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the Trustees individually have taken all the necessary steps that they ought to have taken as trustees in order to make themselves aware of all relevant audit information and to establish that the Charity's auditor is aware of that information.

Risk Management

The Risk and Remuneration Committee identified three particular on going operational risks for consideration:

- **Upholding the rigour and integrity of Policy Exchange's research and event programme.** The Trustees recognise that Policy Exchange's reputation for achieving policy impact depends on the quality and depth of its research output. In order to maintain its high standards and record of policy impact, Policy Exchange has developed robust internal systems for conducting its research activities. Individual research programmes are set by the programme heads and are regularly reviewed by the Senior Management Team and, where necessary, by the Board of Trustees. Projects must go through a rigorous internal approval process before being allowed to proceed. Questions of independence, balance and impact are considered alongside the detail of the research itself. Researchers are encouraged to consult widely and Policy Exchange has developed extensive specialist networks with academics, field specialists and Government departments in order to better inform its work and assist with peer review. Emphasis is placed on ensuring that policy recommendations are evidence-based and implementable.
- **Financial Risk associated with dips in income.** The reserves policy laid out above is intended to provide a cushion against financial volatility, but in addition Policy Exchange continues to pursue a policy of encouraging unrestricted donations for its day to day work, giving it increased flexibility to allocate funds as needed.
- The Trustees have specifically considered the effect of the Covid-19 pandemic on the Charity's activities and have worked with the Senior Management Team to review possible risks and actions to mitigate them. The Charity has adapted its research programme to focus on the crisis and has invested in new systems for staging webinars (see earlier). An active media outreach has helped to keep the Charity's profile strong during the various lockdowns.

On behalf of the board of Trustees



William Salomon

Trustee

Dated:

24th June 2021

POLICY EXCHANGE LIMITED

STATEMENT OF TRUSTEES' RESPONSIBILITIES

FOR THE YEAR ENDED 30 SEPTEMBER 2020

The trustees, who are also the directors of Policy Exchange Limited for the purpose of company law, are responsible for preparing the Trustees' 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 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 charitable company for that year.

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 Charities SORP;
- make judgements and estimates that are reasonable and prudent; and
- 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

POLICY EXCHANGE LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF POLICY EXCHANGE LIMITED

Opinion

We have audited the financial statements of Policy Exchange Limited (the 'charity') for the year ended 30 September 2020 which comprise the statement of financial activities, the balance sheet, the statement of cash flows and the notes to the financial statements, including a summary of significant accounting policies. 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).

In our opinion, the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 30 September 2020 and of its incoming resources and application of resources, 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the charity in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the charity's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The trustees are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters 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 trustees' report, which includes the directors' report prepared for the purposes of company law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report included within the trustees' report has been prepared in accordance with applicable legal requirements.

POLICY EXCHANGE LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF POLICY EXCHANGE LIMITED

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the charity and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report included within the trustees' report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; 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; or
- the trustees were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the trustees' report and from the requirement to prepare a strategic report.

Responsibilities of trustees

As explained more fully in the statement of trustees' responsibilities, the trustees, who are also the directors of the charity 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, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the charity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the 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.



Russell Nathan (Senior Statutory Auditor)

for and on behalf of HW Fisher LLP

Chartered Accountants

Statutory Auditor

Acre House
11-15 William Road
London
NW1 3ER
United Kingdom

24/6/21

POLICY EXCHANGE LIMITED

STATEMENT OF FINANCIAL ACTIVITIES INCLUDING INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 30 SEPTEMBER 2020

Current financial year

		Unrestricted funds general 2020 £	Unrestricted funds designated 2020 £	Restricted funds 2020 £	Total 2020 £	Total 2019 £
	Notes					
<u>Income from:</u>						
Donations, gifts and grants	3	1,906,149	-	1,091,306	2,997,455	2,925,045
Incoming resources from charitable activities	4	157,000	-	-	157,000	253,440
Trading income	5	26,387	-	-	26,387	2,349
Investments	6	2,634	-	-	2,634	3,535
Other income	7	165,515	-	-	165,515	207,980
Total income		2,257,685	-	1,091,306	3,348,991	3,392,349
<u>Expenditure on:</u>						
Raising funds	8	174,528	-	-	174,528	206,094
Research	9	550,157	-	2,492,382	3,042,539	3,107,538
Total resources expended		724,685	-	2,492,382	3,217,067	3,313,632
Net incoming/(outgoing) resources before transfers		1,533,000	-	(1,401,076)	131,924	78,717
Gross transfers between funds		(1,567,213)	(56,228)	1,623,441	-	-
Net (expenditure)/income for the year/ Net movement in funds		(34,213)	(56,228)	222,365	131,924	78,717
Fund balances at 1 October 2019		1,343,173	206,228	246,482	1,795,883	1,717,166
Fund balances at 30 September 2020		1,308,960	150,000	468,847	1,927,807	1,795,883

All income and expenditure derive from continuing activities.

The statement of financial activities also complies with the requirements for an income and expenditure account under the Companies Act 2006.

POLICY EXCHANGE LIMITED

STATEMENT OF FINANCIAL ACTIVITIES (CONTINUED) INCLUDING INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 30 SEPTEMBER 2020

Prior financial year

		Unrestricted funds general 2019 £	Unrestricted funds designated 2019 £	Restricted funds 2019 £	Total 2019 £
	Notes				
Income from:					
Donations, gifts and grants	3	1,830,595	-	1,094,450	2,925,045
Incoming resources from charitable activities	4	253,440	-	-	253,440
Trading income	5	2,349	-	-	2,349
Investments	6	3,535	-	-	3,535
Other income	7	207,980	-	-	207,980
Total income		2,297,899	-	1,094,450	3,392,349
Expenditure on:					
Raising funds	8	206,094	-	-	206,094
Research	9	658,490	-	2,449,048	3,107,538
Total resources expended		864,584	-	2,449,048	3,313,632
Net incoming/(outgoing) resources before transfers		1,433,315	-	(1,354,598)	78,717
Gross transfers between funds		(943,207)	(222,605)	1,165,812	-
Net (expenditure)/income for the year/ Net movement in funds		490,108	(222,605)	(188,786)	78,717
Fund balances at 1 October 2018		853,065	428,833	435,268	1,717,166
Fund balances at 30 September 2019		1,343,173	206,228	246,482	1,795,883

All income and expenditure derive from continuing activities.

The statement of financial activities also complies with the requirements for an income and expenditure account under the Companies Act 2006.


POLICY EXCHANGE LIMITED

BALANCE SHEET

AS AT 30 SEPTEMBER 2020

	Notes	2020 £	£	2019 £	£
Fixed assets					
Tangible assets	14		84,143		127,154
Investments	15		2		2
			<u>84,145</u>		<u>127,156</u>
Current assets					
Debtors	17	404,155		366,221	
Cash at bank and in hand		2,139,853		1,732,442	
		<u>2,544,008</u>		<u>2,098,663</u>	
Creditors: amounts falling due within one year	18	(700,346)		(429,936)	
Net current assets			<u>1,843,662</u>		<u>1,668,727</u>
Total assets less current liabilities			<u><u>1,927,807</u></u>		<u><u>1,795,883</u></u>
Income funds					
Restricted funds	20		468,847		246,482
<u>Unrestricted funds</u>					
Designated funds	21	150,000		206,228	
General unrestricted funds		1,308,960		1,343,173	
			<u>1,458,960</u>		<u>1,549,401</u>
			<u><u>1,927,807</u></u>		<u><u>1,795,883</u></u>

The financial statements were approved by the Trustees on 24.06.2021


 William Salomon
 Trustee

Company Registration No. 4297905

POLICY EXCHANGE LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2020

		2020		2019	
	Notes	£	£	£	£
Cash flows from operating activities					
Cash generated from operations	25		418,263		147,672
Investing activities					
Purchase of tangible fixed assets		(13,486)		(13,720)	
Interest received		2,634		3,535	
Net cash used in investing activities			(10,852)		(10,185)
Financing activities					
Payment of obligations under finance leases		-		(13,010)	
Net cash used in financing activities			-		(13,010)
Net increase in cash and cash equivalents			407,411		124,477
Cash and cash equivalents at beginning of year			1,732,442		1,607,965
Cash and cash equivalents at end of year			2,139,853		1,732,442

POLICY EXCHANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2020

1 Accounting policies

Charity information

Policy Exchange Limited is a private company limited by guarantee incorporated in England and Wales. The registered office is Acre House, 11-15 William Road, London, NW1 3ER, United Kingdom.

1.1 Accounting convention

The financial statements have been prepared in accordance with the the Companies Act 2006 and "Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their financial statements in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102)" (effective 1 January 2019). The charity is a Public Benefit Entity as defined by FRS 102.

The financial statements are prepared in sterling, which is the functional currency of the charity. Monetary amounts in these financial statements are rounded to the nearest £.

Policy Exchange Events Limited is not included in consolidated financial statements as its inclusion is not material for the purpose of giving a true and fair view.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

1.2 Going concern

As stated in the Trustees' Report, the trustees have considered the effect of the Covid-19 outbreak. The trustees consider that the outbreak has caused some disruption to the charity's operations and the level of significance will be dependent upon the length of time of the disruption. The trustees of Policy Exchange Limited, along with the senior management team, continue to monitor the situation carefully and have put plans in place to mitigate the risk to the companies' operations. Further details of this can be seen in the Risk Management section of the Trustees' Report. The trustees have a reasonable expectation that Policy Exchange Limited can continue as a going concern for the foreseeable future. Thus the Trustees continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Charitable funds

Unrestricted funds are available for use at the discretion of the trustees in furtherance of their charitable objectives.

Designated funds comprise funds which have been set aside at the discretion of the Trustees for specific purposes. The purposes and uses of the designated funds are set out in the notes to the accounts.

Restricted funds are subject to specific conditions by donors as to how they may be used. The purposes and uses of the restricted funds are set out in the notes to the financial statements.

1.4 Incoming resources

Income is recognised when the charity is legally entitled to it after any performance conditions have been met, the amounts can be measured reliably, and it is probable that income will be received.

Cash donations are recognised on receipt. Other donations are recognised once the charity has been notified of the donation, unless performance conditions require deferral of the amount. Income tax recoverable in relation to donations received under Gift Aid or deeds of covenant is recognised at the time of the donation.

POLICY EXCHANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

1 Accounting policies

(Continued)

1.5 Resources expended

Expenditure is recognised on an accruals basis, exclusive of value added tax.

Costs of generating funds are those costs incurred in attracting voluntary income, in particular grant funding and the costs of maintaining the company's profile within the sector.

Expenditure relating to research and events activities are those elements of expenditure directly incurred in performing these activities.

Governance costs include those costs incurred in the governance of the company and are primarily associated with constitutional and statutory requirements.

Support costs have been allocated in full to the single charitable activity - Research.

1.6 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses.

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Short leasehold	Over the life of the lease
Computer equipment	3 years straight line
Fixtures, fittings & equipment	5 years straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in net income/(expenditure) for the year.

1.7 Fixed asset investments

Fixed asset investments are initially measured at transaction price excluding transaction costs.

1.8 Impairment of fixed assets

At each reporting end date, the charity reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

1.9 Financial instruments

The charity has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all its financial instruments.

The charity only has assets and liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value with the exception of fixed asset investments that are initially recognised at transaction value and subsequently recognised at their fair value.

1.10 Employee benefits

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the charity is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

POLICY EXCHANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

1 Accounting policies

(Continued)

1.11 Retirement benefits

The charity operates a defined contributions stakeholder pension scheme. Contributions are charged in the financial statements as they become payable in accordance with the rules of the scheme.

1.12 Short term debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the Statement of Financial Activities.

2 Critical accounting estimates and judgements

In the application of the charity's accounting policies, the trustees are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated 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 ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

There were no critical accounting estimates and judgements.

3 Donations, gifts and grants

	Unrestricted funds general 2020 £	Restricted funds 2020 £	Total 2020 £	Unrestricted funds general 2019 £	Restricted funds 2019 £	Total 2019 £
Donations and gifts	1,873,378	1,091,306	2,964,684	1,830,595	1,094,450	2,925,045
Grants receivable	32,771	-	32,771	-	-	-
	<u>1,906,149</u>	<u>1,091,306</u>	<u>2,997,455</u>	<u>1,830,595</u>	<u>1,094,450</u>	<u>2,925,045</u>

During the year, £32,771, (2019: £nil) was received under the CJRS as a government grant.

4 Incoming resources from charitable activities

	Corporate events 2020 £	Corporate events 2019 £
Sales within charitable activities	<u>157,000</u>	<u>253,440</u>

POLICY EXCHANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

5 Trading income

	Unrestricted funds general 2020 £	Unrestricted funds general 2019 £
Business forum and book sales	26,387	2,349

6 Investments

	Unrestricted funds general 2020 £	Unrestricted funds general 2019 £
Interest receivable	2,634	3,535

7 Other income

	Unrestricted funds general 2020 £	Unrestricted funds general 2019 £
Other income	1,143	10,282
Rental income	164,372	197,698
	165,515	207,980

8 Raising funds

	Unrestricted funds general 2020 £	Unrestricted funds general 2019 £
<u>Costs of generating voluntary income</u>		
Staging fundraising events	9,967	25,749
Other fundraising costs	(1,747)	11,828
Staff costs	166,308	168,517
	174,528	206,094

POLICY EXCHANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

9 Research

	2020 £	2019 £
Staff costs	1,065,807	1,141,528
Professional fees, research and events	788,193	721,821
Publications, printing and postage	22,222	30,860
Travel and subsistence	38,360	58,829
Premises	411,661	374,426
Website and IT support	31,795	27,480
Other costs	20,344	37,104
	<u>2,378,382</u>	<u>2,392,048</u>
Grant funding of activities (see note 10)	114,000	57,000
Share of support costs (see note 11)	537,277	643,249
Share of governance costs (see note 11)	12,880	15,241
	<u>3,042,539</u>	<u>3,107,538</u>
Analysis by fund		
Unrestricted funds - general	550,157	658,490
Restricted funds	2,492,382	2,449,048
	<u>3,042,539</u>	<u>3,107,538</u>

10 Grants payable

	2020 £	2019 £
Grants to institutions:		
Other	114,000	57,000
	<u>114,000</u>	<u>57,000</u>

Grants payable relate to a 3 year project with the Woolf Institute, Cambridge on "Regulating Islam: A Strategic Review of English Law". This work is due to be published in late 2021.

POLICY EXCHANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

11 Support costs

	Support costs	Governance costs	2020	Support costs	Governance costs	2019
	£	£	£	£	£	£
Staff costs	96,798	-	96,798	63,542	-	63,542
Depreciation	56,497	-	56,497	73,671	-	73,671
Other costs	276,191	-	276,191	357,527	-	357,527
Premises	107,791	-	107,791	148,509	-	148,509
Audit fees	-	12,880	12,880	-	15,241	15,241
	<u>537,277</u>	<u>12,880</u>	<u>550,157</u>	<u>643,249</u>	<u>15,241</u>	<u>658,490</u>
Analysed between						
Charitable activities	<u>537,277</u>	<u>12,880</u>	<u>550,157</u>	<u>643,249</u>	<u>15,241</u>	<u>658,490</u>

Governance costs includes payments to the auditors of £10,316 (2019- £12,105) for audit fees and £2,564 (2019- £3,136) for other services.

12 Trustees

No trustees received benefits or have been paid any remuneration (2019- none received) from the charity during the year.

POLICY EXCHANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

13 Employees

Number of employees

The average monthly number of employees during the year was:

	2020 Number	2019 Number
Research	16	15
Fundraising	2	2
Administration	6	6
	<u>24</u>	<u>23</u>

Employment costs

	2020 £	2019 £
Wages and salaries	1,139,643	1,179,592
Social security costs	126,906	134,727
Other pension costs	62,364	59,268
	<u>1,328,913</u>	<u>1,373,587</u>

The key management personnel of the charity comprises the trustees, the Director, the Managing Director, the Director of Policy and Communications, and the Director of Research. The trustees do not receive any remuneration. Remuneration of key management personnel amounted to £379,250 (2019: £379,252) in the year.

The number of employees whose annual remuneration was £60,000 or more were:

	2020 Number	2019 Number
60,000 - 69,999	-	1
70,000 - 79,999	-	1
80,000 - 89,999	-	1
100,000 - 109,999	2	1
150,000 - 159,999	1	2
	<u>3</u>	<u>5</u>

Contributions totalling £24,250 (2019: £32,862) were made to defined contribution pension schemes on behalf of employees whose emoluments exceed £60,000.

POLICY EXCHANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

14 Tangible fixed assets

	Short leasehold	Computer equipment	Fixtures, fittings & equipment	Total
	£	£	£	£
Cost				
At 1 October 2019	262,836	51,584	50,110	364,530
Additions	-	13,486	-	13,486
At 30 September 2020	262,836	65,070	50,110	378,016
Depreciation and impairment				
At 1 October 2019	152,525	39,414	45,437	237,376
Depreciation charged in the year	49,026	5,763	1,708	56,497
At 30 September 2020	201,551	45,177	47,145	293,873
Carrying amount				
At 30 September 2020	61,285	19,893	2,965	84,143
At 30 September 2019	110,311	12,170	4,673	127,154

15 Fixed asset investments

	Investment in subsidiary
	£
Cost or valuation	
At 1 October 2019 & 30 September 2020	2
Carrying amount	
At 30 September 2020	2
At 30 September 2019	2

16 Subsidiaries

Details of the charity's subsidiaries at 30 September 2020 are as follows:

Name of undertaking and country of incorporation or residency	Nature of business	Class of shareholding	% Held	
			Direct	Indirect
Policy Exchange Events Limited	United Kingdom Conference/administration services	Ordinary	100.00	-

These financial statements are separate charity financial statements for Policy Exchange Limited.

POLICY EXCHANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

17 Debtors

	2020	2019
	£	£
Amounts falling due within one year:		
Trade debtors	137,249	47,063
Amounts owed by subsidiary undertakings	-	2,416
Other debtors	118,310	69,298
Prepayments and accrued income	148,596	247,444
	<u>404,155</u>	<u>366,221</u>

18 Creditors: amounts falling due within one year

	2020	2019
	£	£
Other taxation and social security	36,948	33,517
Trade creditors	227,889	157,268
Other creditors	79,814	75,328
Accruals and deferred income	355,695	163,823
	<u>700,346</u>	<u>429,936</u>

Total deferred income at the year end amounted to £271,649 (2019: £44,834). This amount represents income for subscriptions, donations and sublease rental income that relate to future accounting periods and will be shown in the next financial year.

19 Retirement benefit schemes

Defined contribution schemes

The charity operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the charity in an independently administered fund.

The charge to profit or loss in respect of defined contribution schemes was £62,364 (2019 - £59,268).

POLICY EXCHANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

20 Restricted funds

The income funds of the charity include restricted funds comprising the following unexpended balances of donations and grants held on trust for specific purposes:

	Movement in funds					Movement in funds					
	Balance at 1 October 2018	Incoming resources	Resources expended	Transfers from Designated funds	Transfers from Unrestricted funds	Balance at 1 October 2019	Incoming resources	Resources expended	Transfers from Designated funds	Transfers from Unrestricted funds	Balance at 30 September 2020
	£	£	£	£	£	£	£	£	£	£	£
Economics	-	452,750	(713,030)	-	260,280	-	55,000	(542,294)	-	487,294	-
Security and Extremism	200,964	339,500	(699,251)	158,787	-	-	176,479	(645,908)	7,698	461,731	-
Education	-	155,000	(144,545)	-	-	10,455	219,544	(105,747)	-	-	124,252
Crime and Justice	9,052	-	-	-	-	9,052	-	(680)	-	-	8,372
Environment and energy	100,522	27,200	(25,336)	-	-	102,386	180,049	(147,704)	-	-	134,731
Directors	-	10,000	(427,154)	-	417,154	-	174,000	(408,232)	-	313,975	79,743
Wolfson Economics Prize	7,076	-	-	-	-	7,076	-	-	-	-	7,076
Cities	140	50,000	(71,318)	21,178	-	-	-	(101,088)	48,530	52,558	-
Immigration, Integration and Demography	105,550	-	(135,771)	-	135,770	105,549	-	(30,529)	-	30,529	105,549
Health and Social Policy	9,124	-	(406)	-	406	9,124	77,700	(79,834)	-	2,134	9,124
Technology Policy	2,840	-	-	-	-	2,840	22,500	(98,928)	-	73,588	-
Foreign Policy	-	60,000	(232,237)	-	172,237	-	186,034	(331,438)	-	145,404	-
	<u>435,268</u>	<u>1,094,450</u>	<u>(2,449,048)</u>	<u>179,965</u>	<u>985,847</u>	<u>246,482</u>	<u>1,091,306</u>	<u>(2,492,382)</u>	<u>56,228</u>	<u>1,567,213</u>	<u>468,847</u>

POLICY EXCHANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

20 Restricted funds

(Continued)

Restricted funds relate to research projects undertaken with regard to all public policy areas. A typical research project will include detailed research, a written report or note, and related event (s). Surplus funds at the year end represent the balance of donations given for work which was still in progress at 30 September 2020. Transfers into restricted funds ensure either zero balances at year end, or sums needed to complete work still underway.

The Wolfson Prize Fund relates to a competition launched in October 2012. The competition is sponsored by the Charles Wolfson Charitable Trust and administered by Policy Exchange.

POLICY EXCHANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

21 Designated funds

The income funds of the charity include designated funds comprising the following unexpended balances held for specific purposes:

	Balance at 1 October 2018	Transfers	Balance at 1 October 2019	Transfers	Balance at 30 September 2020
	£	£	£	£	£
Research	236,193	(179,965)	56,228	(56,228)	-
Core maintenance	192,640	(42,640)	150,000	-	150,000
	<u>428,833</u>	<u>(222,605)</u>	<u>206,228</u>	<u>(56,228)</u>	<u>150,000</u>

Research funds are to be used for projects associated with a number of different research areas. Core funds are to be used in relation to core projects including premises expenses and website and IT upgrades.

Transfers from designated funds represents the overspend on the research funds being covered by the designated funds.

POLICY EXCHANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

22 Analysis of net assets between funds

	Unrestricted funds 2020 £	Designated funds 2020 £	Restricted funds 2020 £	Total 2020 £	Unrestricted funds 2019 £	Designated funds 2019 £	Restricted funds 2019 £	Total 2019 £
Fund balances at 30 September 2020 are represented by:								
Tangible assets	84,143	-	-	84,143	127,154	-	-	127,154
Investments	2	-	-	2	2	-	-	2
Current assets/(liabilities)	1,224,815	150,000	468,847	1,843,662	1,216,017	206,228	246,482	1,668,727
	<u>1,308,960</u>	<u>150,000</u>	<u>468,847</u>	<u>1,927,807</u>	<u>1,343,173</u>	<u>206,228</u>	<u>246,482</u>	<u>1,795,883</u>

POLICY EXCHANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

23 Operating lease commitments

At the reporting end date the charity had outstanding commitments for future minimum lease payments under non-cancellable operating lease, which fall due as follows:

	2020 £	2019 £
Within one year	390,962	390,962
Between two and five years	97,741	488,703
	<u>488,703</u>	<u>879,665</u>

Lessor

The operating lease represent sublease of office floor space to third parties. The lease was negotiated over terms of 5 years and has a break clause after two years. There are no options in place for either party to extend the lease terms. There are no contingent rent or escalation clauses. There are no significant restrictions imposed by lease arrangements.

At the reporting end date the charity had contracted with tenants for the following minimum lease payments:

	2020 £	2019 £
Within one year	144,073	144,073
Between two and five years	36,018	180,091
	<u>180,091</u>	<u>324,164</u>

24 Related party transactions

The total donations recognised as income in the year from the charity's trustees and related parties amounted to £499,000 (2019 : £170,000). One donation of £300,000 received is part of a three year donation and subsequent years of £200,000 are recognised in deferred income.

In the previous year, Policy Exchange Limited paid £60,666 to Dr. John Bew for consultancy services. Dr. John Bew is the son of Greta Jones, who is a trustee of Policy Exchange Limited. No such costs arose this year.

POLICY EXCHANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

25	Cash generated from operations	2020	2019
		£	£
	Surplus for the year	131,924	78,717
	Adjustments for:		
	Investment income recognised in statement of financial activities	(2,634)	(3,535)
	Depreciation and impairment of tangible fixed assets	56,497	73,671
	Movements in working capital:		
	(Increase)/decrease in debtors	(37,934)	11,681
	Increase/(decrease) in creditors	270,410	(12,862)
	Cash generated from operations	418,263	147,672
26	Analysis of changes in net funds		
	The charity had no debt during the year.		