

**Company Registration No. SC312442**

**THE INSTITUTE FOR STATECRAFT**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR**

**THE PERIOD ENDED 23 NOVEMBER 2016**

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## **COMPANY INFORMATION**

### **Directors and Trustees**

Christopher Nigel Donnelly

Daniel Lafayeedney

Oliver James McTernan

Dr Julia Celia Szusterman

### **Company Secretary**

Daniel Lafayeedney

### **Principal and Registered office**

Gateside Mills

Gateside

Fife, KY14 7SU

Scotland

United Kingdom

## **Trustees' report for the year ended 23 November 2016**

The directors present their report of major activities and statement of financial activities and position for the year ended 23 November 2016.

The Institute expanded its programme of research and active involvement in a series of practical projects and programmes, all concerned with improving governance and enhancing the practice of statecraft, with transforming institutions to enable them to stay fit for purpose when faced with the challenge of rapid and profound change, and with closing the growing gap between the needs of the citizen and the ability of the State to fill that need.

The Institute's research continued to focus on the nature and implications of global change and the consequent challenges to UK and Allies' national security and governance. Reports were produced on: The fitness of accepted organisational management procedures and styles for today's rapidly changing world; the capacity of the Civil Service (especially in the FCO) to advance the national interest in our rapidly changing world at the same time as negotiating Britain's exit from the EU; the need for a new look in policing to cope with the changes in UK society and the shrinkage of resources; the preparation for classic warfare by the Russian political and military systems, and the British Armed Forces' struggle to maintain their skills for fighting a peer enemy, and; the effectiveness or otherwise of international development aid programmes for countering violent extremism. These reports were accompanied by a series of presentations to UK and Allied military audiences, audiences in the City, and diplomatic audiences.

The Institute's programme, in partnership with the Free University of Brussels, to map Russian (and other) malign influence and disinformation techniques and to inform policy makers and opinion formers accordingly was greatly expanded during the period and received a significant stimulus after the publicity surrounding the US Presidential Election. Russia's developing military ability focused our attention on the ongoing conflict in Ukraine and the concerns of the Baltic States. The Institute successfully engaged specialists from Ukraine and Lithuania, bringing them to the UK and other countries to share their expertise and wisdom with relevant military and civilian audiences.

The Institute continued its intensive engagement with the UK Muslim communities, expanding its *Shared Outcomes* programme for improving societal integration in collaboration with the Army, and increasing its support to the Active Change Foundation working at the hard edge of counter-radicalisation. Also continued were The Institute's work on policing reform, with a major workshop on this topic early in the year, and on NHS reform, with a series of smaller workshops. The Institute also continued to support the work of two Parliamentary Select Committees inquiring into defence and the evolution of the governance of security in the UK.

The Institute's programme to tackle gang violence in El Salvador expanded to draw in the new Argentinian government in partnership with the UK and US governments. Institute staff visited El Salvador and other countries of the region frequently during the year to learn from their experience and ensure their support for the project.

Because the speed of change today is overtaking our national institutions' ability to adapt, new societal challenges arise unforeseen, and with no adequate state mechanisms to deal with the problems these bring. It is The Institute's policy, therefore, in addition to the operating reserve kept to ensure its functioning and its ability to meet unexpected demands, to keep an additional reserve of resources (money, people, time) to enable it to identify and research these challenges, and to incubate potential solutions until such a time as these can be developed as full scale projects for which funding can be sought. The subjects in incubation during the year included:

- Developing, in collaboration with Chester University, the IAAC, Tallinn Technical University and other appropriate organisations, a UK cyber security education programme for 9-16 year olds
- Exploring the core reasons for problems in the National Health Service (NHS), the reasons for the failure of numerous reform attempts and potential solutions. NB There are very close similarities between the problems faced by the NHS and those faced by the MOD and Armed Forces
- A programme to develop a security and resilience function for the Commonwealth, in collaboration with *Commonwealth Argosy*
- A programme to strengthen the UK's economic and national security relationship with the USA

During the year, The Institute hosted a series of workshops on: the competence of current state structures to employ new forms of power in international competition; improving family and social structures to meet the needs of human security; growing Russian military power and hybrid warfare capability. Staff, Fellows and Associates represented The Institute at several international workshops, made media appearances as expert commentators, and briefed legislators in the UK, in other national parliaments and in the European Parliament.

The Institute also commenced a programme of internal structural and governance reform to create a firm base for future expansion.

### **Directors**

The following directors held office during the year:

Christopher Nigel Donnelly

Daniel Lafayeedney

Oliver James McTernan

Dr Julia Celia Szusterman (Chair)

### **Directors' guarantee**

The company is limited by guarantee. Each Director has guaranteed £1 to the liabilities of the company.

## **Audit**

The members have not required the company to obtain an audit of its accounts in accordance with section 476 of the Companies Act 2006.

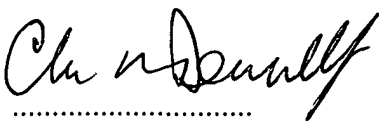
## **Directors' responsibilities**

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing those financial statements, the directors are required to:

1. Select suitable accounting policies and then apply them consistently;
2. Make judgements and estimates that are reasonable and prudent;
3. Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.
4. Be responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006; and
5. Be responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This report has been prepared in accordance with the Companies Act 2006 relating to small companies.



.....  
Christopher N Donnelly  
Director

Date 22<sup>nd</sup> May 2017

**STATEMENT OF FINANCIAL ACTIVITIES**  
**(INCLUDING INCOME AND EXPENDITURE ACCOUNT)**  
**FOR THE YEAR ENDING 23 NOVEMBER 2016**

	Un-restricted Funds 2016	Restricted Funds 2016	Total Funds 2016	Un-restricted Funds 2015	Restricted Funds 2015	Total Funds 2015
	£	£	£	£	£	£
<b>Incoming resources</b>						
Incoming resources from generated funds						
- Donations and grants	87,250	312,238	399,488	36,919	32,759	69,678
Incoming resources from charitable activities						
- Grants and contracts	10,121	33,000	43,121	9,720	10,683	20,403
<b>Total incoming resources</b>	<b>97,371</b>	<b>345,238</b>	<b>442,609</b>	<b>46,639</b>	<b>43,441</b>	<b>90,080</b>
<b>Costs of generating funds</b>						
Costs of generating voluntary income	(11,167)	(75,326)	(86,492)	(10,831)	(10,275)	(21,106)
Fund raising trading and costs	(1,507)	(13,526)	(15,033)	(357)	(419)	(777)
Charitable activities	(18,831)	(248,311)	(267,143)	(25,682)	(39,312)	(64,994)
Governance costs	(1,883)	(6,078)	(7,961)	(1,397)	(1,072)	(2,469)
<b>Total resources expended</b>	<b>(33,388)</b>	<b>(343,241)</b>	<b>(376,629)</b>	<b>(38,267)</b>	<b>(51,078)</b>	<b>(89,345)</b>
	63,983	1,997	65,980	8,372	(7,637)	735
Total funds brought forward	22,994	24,428	47,422	14,622	32,065	46,687
<b>Total funds carried forward</b>	<b>86,977</b>	<b>26,425</b>	<b>113,402</b>	<b>22,994</b>	<b>24,428</b>	<b>47,422</b>

**BALANCE SHEET**  
**AS AT 23 NOVEMBER 2016**

	2016 £	2015 £
<b>Current assets</b>		
Cash	123,407	83,531
Other debtors	5,711	-
<b>Creditors: amounts falling due within one year</b>		
Trade creditors	(10,116)	(27,059)
Accruals	(5,600)	(9,050)
<b>Total assets less current current liabilities</b>	<u>113,402</u>	<u>47,422</u>
Creditors: amounts falling due after more than one year	0	0
<b>Net assets</b>	<u><u>113,402</u></u>	<u><u>47,422</u></u>
<b>Unrestricted funds</b>		
Designated funds	86,977	22,994
<b>Restricted funds</b>		
Designated funds	26,425	24,428
<b>Total funds</b>	<u><u>113,402</u></u>	<u><u>47,422</u></u>

**Audit Exemption Statement**

For the year ended 2012 the company was entitled to exemption under section 477 of the Companies Act 2006 in relating to small companies.

**Directors' Responsibilities**

The members have not required the company to obtain an audit of its accounts for the year to 23<sup>rd</sup> November 2016 in accordance with section 476.

The directors acknowledge their responsibility for complying with the requirements of the Act with respect to accounting records and the preparation of the accounts.

These accounts have been prepared in accordance with the provisions applicable to companies subject to small companies, regime.

The amended financial statements were approved by the Board on 22<sup>nd</sup> May 2017.



Christopher N Donnelly

**Director**

Date 22<sup>nd</sup> May 2017

## NOTES TO THE FINANCIAL STATEMENTS FOR

### THE PERIOD ENDED 23 NOVEMBER 2016

#### 1. Accounting Policies

The principal accounting policies are summarised below. The accounting policies have been applied consistently throughout the year and in the preceding year.

##### 1.1 Accounting Convention

The financial statements are prepared under the historical cost convention. The company has taken advantage of the exemption in Financial Reporting Standard No 1 from the requirement to produce a cash flow statement on the grounds that it is a small company.

##### 1.2 Fund accounting

Unrestricted funds are available for the use at the discretion of the trustees in furtherance of the general objectives of the charity. Designated funds are unrestricted funds earmarked by the Management Committee for particular purposes. Restricted funds are subjected to restrictions on their expenditure imposed by the donor or through the terms of appeal or grant.

##### 1.3 Incoming resources

All incoming resources are included in the statement of financial activities when the charity is entitled to the income and the amount can be quantified with reasonable accuracy. The following specific policies are applied to particular categories of income:

Voluntary income is received by way of grants, donations and gifts and is included in full in the Statement of Financial Activities when received or receivable.

Incoming resources from grants, where related to performance and specific deliverables, are accounted for as the charity earns the right to consideration by its performance.

Investment income is included when receivable.

##### 1.4 Resources expended

Expenditure is recognised on an accruals basis as a liability is incurred. Expenditure includes any VAT which cannot be fully recovered.

Costs of generating funds comprise the costs associated with attracting voluntary income.

Charitable expenditure comprises those direct and indirect costs incurred by the charity in the delivery of its activities and services for its beneficiaries.

Governance costs include those costs associated with meeting the constitutional and statutory requirements of the charity and include any accounting and audit fees and other costs linked to the strategic management of the charity.

Costs relating to a particular activity are allocated directly, others are apportioned on an appropriate basis.



## 2. Donations

	2016	2015
	£	£
<b>Unrestricted funds</b>		
Designated funds for various UK security, NHS, Royal Navy, NATO, Ukrainian and Russian research programmes	87,250	
Designated fund for El Salvador programme from FCO	10,121	
Funding from FW Investments Partnership, Foreign Office, Centre for Naval Analysis, CAFOD for various national and international initiatives		46,639
	<u>97,371</u>	<u>46,639</u>
<b>Restricted funds</b>		
Programmes for ethnic community integration in UK and prison reform in El Salvador	38,238	
Counselling, research, democracy promotion and implementation programme for Integrity programme	307,000	
Reconciliation programme for Syrian communities caught up in civil war for EU EEAS and the El Salvador programme for Open Society		10,000
Funding from Dulverton Trust and the FCO for a national and international programmes		33,441
	<u>345,238</u>	<u>43,441</u>
<b>Total donations</b>	<u><b>442,609</b></u>	<u><b>90,080</b></u>

## 3. Net incoming resources for the year

Net incoming resources are stated after charging:

	2016	2015
	£	£
Professional fees	3,600	4,500
	<u><b>3,600</b></u>	<u><b>4,500</b></u>

## 4. Employees

The charity employed no staff during the period.

## 5. Trustee remuneration and related party transactions

Neither any Trustee nor any member of the Management Committee received any remuneration during the year.

## 6. Taxation

As a charity, The Institute for Statecraft is exempt from tax on income and gains falling within section 505 of the Taxes Act 1988 or section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that these are applied to its charitable objects. No taxes have arisen in the charity.

## 7. Analysis of net assets between funds

	At 24 November 2015	Incoming resources	Outgoing resources	At 23 November 2016
	£	£	£	£
<b>Unrestricted funds</b>				
Designated funds for various UK security, NHS, Royal Navy, NATO, Ukrainian and Russian research programmes	22,994	87,250	(33,388)	76,856
Designated fund for El Salvador programme from FCO		10,121		10,121
<b>Total unrestricted funds</b>	<b>22,994</b>	<b>97,371</b>	<b>(33,388)</b>	<b>86,977</b>
<b>Restricted funds</b>				
Counselling, research, democracy promotion and implementation programme for Integrity programme		307,000	(305,224)	1,776
Programmes for ethnic community integration in UK and prison reform in El Salvador	24,428	38,238	(38,016)	24,649
<b>Total restricted funds</b>	<b>24,428</b>	<b>345,238</b>	<b>(343,241)</b>	<b>26,425</b>
<b>Total funds</b>	<b>47,422</b>	<b>442,609</b>	<b>(376,629)</b>	<b>113,402</b>

## 8. Movement in funds

	2016	2015
	£	£
<b>Unrestricted funds</b>		
Current assets	6,119	40,502
Creditors: amounts falling due within one year	(2,424)	(17,508)
	<u>3,696</u>	<u>24,158</u>
<b>Restricted funds</b>		
Current assets	71,185	43,029
Creditors: amounts falling due within one year	(28,193)	(18,601)
	<u>42,991</u>	<u>103,500</u>
<b>Total net assets</b>	<b>46,687</b>	<b>127,658</b>

**Report to the trustees/members of Registered charity number**  
**On the accounts of the charity for the period**  
**Set out on pages**

<b>Independent examiner's report on the accounts</b>						
The Institute for Statecraft						
SC 040870						
Period start date				Period end date		
Day	Month	Year		Day	Month	Year
24	November	2015	to	23	November	2016
1 to 10						

**Respective responsibilities of trustees and examiner**

The charity's trustees are responsible for the preparation of the accounts in accordance with the terms of the Charities and Trustee Investment (Scotland) 2005 Act and the Charities Accounts (Scotland) Regulations 2006. The charity trustees consider that the audit requirement of Regulation 10(1) (d) of the Accounts Regulations does not apply. It is my responsibility to examine the accounts as required under section 44(1) (c) of the Act and to state whether particular matters have come to my attention.

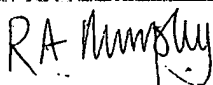
**Basis of independent examiner's statement**

My examination is carried out in accordance with Regulation 11 of the Charities Accounts (Scotland) Regulations 2006. An examination includes a review of the accounting records kept by the charity and a comparison of the accounts presented with those records. It also includes consideration of any unusual items or disclosures in the accounts and seeks explanations from the trustees concerning any such matters. The procedures undertaken do not provide all the evidence that would be required in an audit and, consequently, I do not express an audit opinion on the accounts.

**Independent examiner's statement**

In the course of my examination, no matter has come to my attention to which, in my opinion, attention should be drawn in order to enable a proper understanding of the accounts to be reached.

**Signed:**



**Date:**

31 May 2017

**Name:**

Robert Murphy

**Relevant professional qualification and body:**

Chartered Accountant  
 Institute of Chartered Accountants for England and Wales  
 Member registration number 7592346

**Address:**

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 London  
 SW6 3PS  
 United Kingdom