

Nuffield
Foundation
Trustees'
Report and
Financial
Statements
2014

Reference and administrative details

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Professor James Banks MSc, PhD
Dame Colette Bowe MSc, PhD
The Lord Krebs Kt, MA, DPhil, FRS, FMedSci
Professor Terrie Moffitt MA, PhD, FBA, FMedSci
Professor Geneva Richardson CBE, LLB, LLM, FBA (until 30 September 2014)
The Right Honourable Lord Justice Ryder TD, DL, FRSA (appointed 1 October 2014)
Professor Sir David Watson MA, PhD (until 6 January 2015)

Senior staff

Sharon Witherspoon MBE, Director (until 19 June 2015)
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Chairman's foreword

This report looks back at the Foundation's performance and activities during 2014, but as I write this foreword at the beginning of 2015, it is impossible to begin on anything other than a note of sadness as we remember our friend and colleague Professor Sir David Watson. David's death in February is a loss keenly felt by all at the Foundation. He had been a dedicated and inspirational Trustee for almost ten years, as well as a world-renowned expert in higher education. We will miss him terribly. A full tribute to David can be found on page 13.

Shortly before this report was due to be published, Sharon Witherspoon decided to step down as Director of the Foundation. Sharon made an immense contribution to the Foundation throughout her 19 years here. We have published a summary of this contribution and her many achievements on our website, and will include a full tribute in next year's report.

My fellow Trustees and I were pleased to welcome Lord Justice Ryder to the Foundation's Board of Trustees in October 2014. As well as being a judge of the Court of Appeal (to which he was appointed in 2013) and a member of the Family Procedure Rules Committee, Ernest is also Chancellor of the University of Bolton. He brings with him a wealth of experience and has already made a significant contribution to our work in law.

Ernest's appointment follows the end of Professor Geneva Richardson's term as Trustee. Geneva led the Foundation's work in law from 2002, expanding it from its base in family justice to include the administrative justice system as well, particularly the role of empirical evidence within that system. She has been a wise and influential Trustee in other areas too, with a warmth and integrity that was valued by staff and Trustees alike. On behalf of my fellow Trustees I extend my thanks to Geneva and wish her well for the future. A more detailed note of her contribution can be found on page 10.

On our grant-making, we have seen some big developments this year. We made the first grants under our two new programmes, Finances of Ageing, and Economic Advantage and Disadvantage. Although these have long been areas of interest for the Foundation, we have now made them funding programmes in themselves, reflecting our view that these are

increasingly important areas for us in pursuing our aim of improving social well-being.

Some of the grants we funded in 2014 aim to provide independent and rigorous analysis that will help inform public debate, including on issues arising in the 2015 general election. Due to the timescales, this is an area where we see impact that is almost immediate. For example we see journalists using the findings from the Social Policy in a Cold Climate project in their interviews with politicians. We see each and every election briefing by the Institute for Fiscal Studies (IFS) setting the news agenda for the day it is published and sparking many debates. As this information gets into the public domain, we hope it will enable a more informed debate and help ensure use of robust social and economic statistics.

It is important to note that although these grants are explicitly related to the election, they are neither party political nor campaigning for any particular viewpoint, so do not constitute 'regulated activities' as defined by the new *Transparency of Lobbying, Non-Party Campaigning and Trade Union Administration Act*.

Finally, none of the Foundation's work would be possible without the investment returns it uses to fund grants and activities. In 2014 the Foundation enjoyed a very healthy return of 13.6% when compared to the benchmark charity index of 7.5%, and a solid performance over the last five years that has generated an additional £35m more than the WM charity index. I ascribe this to good advice, good luck, a patient committee and steadfast Trustees.



Professor David Rhind
Chairman

Objectives and activities

The Nuffield Foundation is a charitable trust established in 1943 by William Morris, Lord Nuffield, the founder of Morris Motors Ltd. Our aim is to improve social well-being. We do this by:

- Funding research and innovation projects in education and social policy.
- Building research capacity in science and social science.

We also have a small restricted fund for our Africa Programme, which is currently being reviewed, and are one of three funders of the Nuffield Council on Bioethics. The Council publishes its own annual report, available to download from www.nuffieldbioethics.org.

In preparing this report, we have referred to the Charity Commission's general guidance on public benefit and are satisfied that the activities undertaken by the Foundation meet the Commission's requirements.

We achieve our objectives by:

- Making grants for research and innovation in various areas of social and education policy. All the projects we fund must have the potential to improve policy and practice in the short or medium term.
- Funding capacity-building programmes in science and social science. Current programmes include: Q-Step, a programme designed to promote a step-change in quantitative methods training for UK social science undergraduates, jointly funded with the Economic and Social Research Council (ESRC) and the Higher Education Funding Council for England (HEFCE); Nuffield Research Placements for school and college students to work on STEM (science, technology, engineering and maths) research projects; and the Oliver Bird Rheumatism Programme to increase postgraduate capacity in rheumatic disease research.
- Playing an active role in ensuring the work we fund has an impact on policy and practice. This includes convening seminars and other events that bring together key researchers, policy-makers and practitioners.

Research and innovation grant-making highlights 2014

This page features headline figures about grants made for research and innovation projects from our education and social policy programmes. In addition to these grants, we also fund **capacity building programmes** (see page 14), and are one of three funders of the **Nuffield Council on Bioethics** (see page 17).

We also **convene seminars and other events** as part of our work to maximise the impact of the work we fund. In 2014 we hosted **159** of these events, attended by over **2,500** people.

Applications for research and innovation grants received in 2014

We make grants for research and innovation projects from our **education** and **social policy** programmes. Applicants submit a short outline application, and those that meet our criteria are invited to submit a

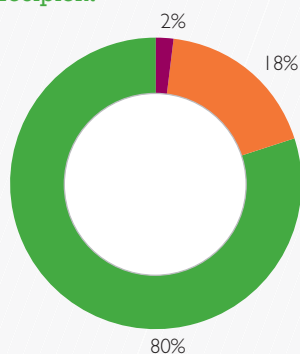
full application, which are subject to independent peer review and considered at Trustees' meetings. If a full application is under £35,000 it can be approved by a single Trustee outside of the meeting. In 2014 we:

- Received **453** initial applications, requesting a total amount of £59.2 million.
- Considered **81** full applications, requesting a total amount of £12.2 million.

Research and innovation grants awarded in 2014

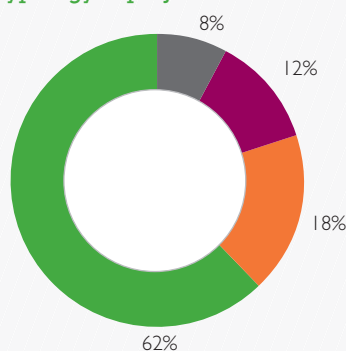
- We awarded **39** research and innovation grants, with a total value of £4.9 million.
- **9** of these were under £35,000 (£0.2 million of the total awarded).

Proportion of total research and innovation grants awarded (£4.9 million) by type of recipient



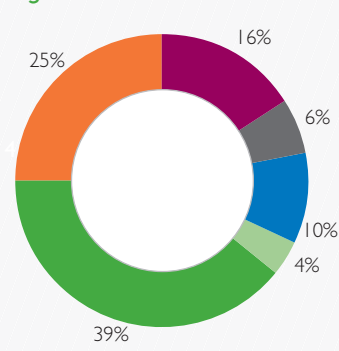
- Universities: £3.9 million (27 grants)
- Research institutes: £0.9 million (7 grants)
- Voluntary organisations: £0.1 million (5 grants)

Proportion of total research and innovation grants awarded (£4.9 million) by primary typology of project



- Data collection and analysis: £3.0 million (18 grants)
- Capacity building, development or practical: £0.9 million (9 grants)
- Trials and evaluations: £0.6 million (6 grants)
- Reviews and synthesis: £0.4 million (6 grants)

Proportion of total research and innovation grants awarded (£4.9 million) by funding programme



- Education: £1.9 million (19 grants)
- Children and families: £1.2 million (6 grants)
- Law in Society: £0.8 million (7 grants)
- Open Door: £0.3 million (4 grants)
- Finances of Ageing: £0.5 million (2 grants)
- Economic advantage and disadvantage: £0.2 million (1 grant)

NOTE: The figure of £4.9 million includes all research and innovation grants (excluding small supplementary grants awarded to existing projects) made under our social policy and education programmes, as shown in note 3 to the financial statements (page 36).

Achievements, performance and future plans

Our work in 2014

Throughout 2014 we worked to expand our grants programmes and to ensure our work had impact in policy and practice discussions. We launched new initiatives designed to set the agenda in particular areas, and developed others that will be launched in 2015.

- We made the first grants under our two new programmes, **Economic Advantage and Disadvantage**, and **Finances of Ageing**. We had previously funded projects in these areas under our Open Door programme, but have now expanded this area of our work, publishing specific criteria and guidance for applicants.
- We have consolidated strands of work from our Children and Families and Education programmes that relate to **early years education and childcare**. In July 2014 we hosted a symposium to synthesise findings from recent projects and to formulate themes for a new funding programme in this area. This in turn informed a report which examined the evidence in the wider context of current policy and practice issues. The report was published in March 2015 and marked the launch of our new funding programme.
- **Quantitative skills** have continued to be a focus, particularly through Q-Step, a programme designed to promote a step-change in undergraduate social science training, and through our work in mathematics education. Most of the 15 Q-Step Centres have spent the first year of the programme recruiting new posts, designing and approving curricular changes, and recruiting students for their first intake year. Forty-three of the 53 new posts have now been filled, and six Q-Step Centres were able to enrol students on new degree programmes in October 2014. Q-Step is jointly funded by the ESRC and HEFCE.
- In July, we published a report bringing together a wide range of evidence, from the UK and internationally, on post-16 mathematics education policy and participation, *Mathematics after 16: the state of play, challenges and ways ahead*. The report highlighted our concern that reforms to GCSEs and A levels risk undermining the government's goal of universal participation in post-16 mathematics education, particularly if new 'Core Maths' qualifications do not receive the necessary backing from government, universities and exam boards.
- We have made further progress in our plans to widen access to our **Nuffield Research Placements** by increasing the proportion of students from less well-off backgrounds who participate in summer research placements in science, technology, engineering and maths settings.
- We awarded a grant of £325,000 to fund the UK's first dedicated **Administrative Justice Institute (UKAJI)**, a collaborative project designed to kick start the expansion of empirical research in administrative justice issues. The grant was awarded to the University of Essex's School of Law following a competition. UKAJI is led by Professor Maurice Sunkin and is linking the policy, practice and research communities through an online forum and a series of seminars and workshops. The aim is to develop a coordinated research agenda and identify and tackle capacity constraint.
- We continued to develop our broader interest in **evidence for policy and public discussion**. This includes our aims to improve the infrastructure for linking and sharing data for research that has a clear public benefit, and to ensure that robust evidence is brought to bear on public debate and discussion. To advance these aims, we were an active participant in discussions on the regulation of data sharing and the safeguards to promote privacy while allowing public benefit research, and we will continue this work in 2015. We also made several grants (including to the IFS for their election briefings, and to Full Fact, for fact-checking) to support informed debate during the election period.

The following pages report on the findings and impact in 2014 of grants funded in previous years, reflecting our duty to fund work that will have public benefit. A list of new grants made during 2014 is provided on pages 19 to 23.

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SOCIAL POLICY

Our **Children and Families** programme funds work to help ensure that policies and institutions governing family life in the UK are operating in the best interests of children and families.

Projects funded by our **Economic Advantage and Disadvantage** programme examine key questions relating to income and work, including the intergenerational transmission of wealth, opportunity and life chances.

Our **Finances of Ageing** programme aims to improve policy and practice related to pensions and post-retirement incomes and benefits, and to the finances of social care for older people.

Through our **Law in Society** programme, we fund projects to examine how law functions in society and its status as a social institution, particularly in relation to enforcement and outcomes in civil and family law.

We fund proposals of exceptional merit that lie outside our main programme areas under our **Open Door** programme.

Children and families

Contact following separation and divorce

In recent years we have funded several projects in childcare and early years education from our Children and Families and Education programmes. As this area has become more of a priority, both for the Foundation and in public policy generally, we have now (as of March 2015) launched a dedicated funding programme called Early Years Education and Childcare.

Based on research funded with a grant of £68,129 in 2012, the IPPR published *No More Baby Steps: A Strategy for Revolutionising Childcare* in June. The report has been influential; some of its proposals such as expanding free and affordable childcare places for two year-olds and maintaining existing ratios for very young

children, have already been taken up in policy debate. An international comparison of the provision of early education and care led by Dr Kitty Stewart at the LSE, funded with a grant of £99,825 in 2011, was published by Policy Press. As a result she secured funding from the Resolution Foundation for a follow-up project to explore options for gearing the funding and regulation of early years provision to improve the quality of childcare, which also reported in 2014.

In May we published *Quality and Inequality: do three- and four-year-olds in deprived areas experience lower quality early years provision?*, findings from a project funded with a grant of £32,723 in 2012. Its authors, Sandra Mathers and Rebecca Smees, analysed data on 1,079 private, voluntary and independent nurseries and 169 state-maintained nurseries and primary schools in England. They found that private, voluntary and independent places in disadvantaged areas are on average of lower quality than those serving more advantaged areas and children, although this was less pronounced where there was a well-qualified staff team. One of their key recommendations is that providers use the new early years pupil premium to employ a graduate-level member of staff.

In October, Dr Jo Blanden from the University of Surrey and Dr Birgitta Rabe from the Institute for Social and Economic Research (ISER) published findings from a project that investigated the impact of the introduction of a free entitlement to nursery education on children's cognitive and social development and on maternal employment. They found that the free part-time nursery places for three-year-olds enabled some children to do better in assessments at the end of Reception, but overall educational benefits were small and did not last. This contradicted findings from the previous large-scale study in this area, possibly because the rapid expansion of provision was largely in the private and voluntary sector where, as the Mathers study showed, quality tends to be lower than in the maintained sector. Investigating this apparent contradiction is one of the priorities of our new funding programme.

In terms of immediate impact, findings from all these projects were presented to the House of Lords Committee on Affordable Childcare, which reported in February 2015. In July 2014 we hosted a symposium which aimed to share findings from recent projects, facilitate debate and agree common goals for future research. The symposium was the starting point for our report *Early Years Education and Childcare: Lessons from Evidence and Future Priorities*, which synthesises the evidence, explores its implications and identifies the current policy and practice issues that would benefit from additional or more robust evidence. The report, published in March 2015, also establishes the themes, priorities and questions for our new funding programme.

Child protection

Published in August, findings from a project undertaken by NatCen and University College London and supported by Barnardo's showed that one in three children and young people affected by sexual exploitation and presenting to Barnardo's services was male, a larger proportion than previous national studies have found. Professionals interviewed by NatCen reported that those dealing with children can be less protective of boys than girls, meaning that opportunities to protect boys or recognise when they are being exploited, are missed. The findings have fed into Barnardo's campaign to tackle child sexual exploitation, and there has been strong interest from the Child Exploitation and Online Protection Command within the National Crime Agency and from other service providers. The project was led by Dr Carol McNaughton Nicholls at NatCen and funded by a grant of £97,346 in 2013.

A report on the role of Independent Reviewing Officers (IROs) was welcomed by the Minister for Children Edward Timpson at an event at the House of Lords in March. All children in care have an IRO, an adult who has oversight of their care plan and is empowered to act on their behalf in challenging the local authority. The study was undertaken by the National Children's Bureau and Loughborough University and funded with a grant of £139,091 in 2012. It found that IROs play an important role in ensuring care plans are reviewed in a timely fashion, and that the care planning process is focussed on permanency, as well as being child-centred and evidence based. However, IROs' effectiveness

can be inhibited by high case loads and resource constraints, and there is potential for role conflicts to affect their ability to assert independence and confront poor practice. These findings have already been used by local authorities when reviewing their policies and procedures.

A pilot project led by Professor Paul Bywaters of Coventry University showed significant inequalities in child welfare systems across the UK, with the proportion of children on child protection plans or in care reflecting two key factors: deprivation and ethnicity. The pilot was funded with a grant of £44,772 in 2013, and in 2014 we awarded a grant of £557,075 for Professor Bywaters to lead a much larger project involving six universities across the UK. The team will use the pilot methodology to compare disparities in child safeguarding in England with Northern Ireland, Scotland and Wales, and explore potential reasons for the inequalities. We hope this will set an agenda for a stronger infrastructure of national evidence in this area.

Law in society

Family justice

In June we brought together senior members of the judiciary, local authorities, civil service and academia, to discuss ways we might encourage the family justice system to make more effective use of research evidence. The seminar was attended by Sir James Munby and David Norgrove (Chair of the Family Justice Board) and chaired by Lord Justice Ryder. One of the ideas discussed was the need for a Family Justice 'evidence centre' or clearing house and we will undertake further scoping work in 2015.

Financial consequences of divorce

Several of our projects were influential in the Law Commission's recommendations from its project considering the financial consequences of divorce, particularly two that were the subject of a seminar we hosted in March 2014. Chaired by Law Commissioner Professor Elizabeth Cooke, the seminar started with a presentation by Dr Emma Hutchings and Jo Miles from the Universities of Bristol and Cambridge on their study of 'financial remedy' cases with a final financial order, in which they analysed how, when and why cases settled. Hilary Woodward presented findings from a parallel

Thank you to Professor Geneva Richardson, who retired from the Board of Trustees on 30 September 2014

Geneva was appointed a Trustee of the Nuffield Foundation in 2002. Her expertise in mental health and welfare law and in administrative justice, and her interest in using empirical evidence to address these issues, meant that she brought new focus to the Foundation's work in civil law.

Geneva played an important role in broadening our work in law, especially developing our work in administrative justice, the procedures, laws, and mechanisms for resolving disputes between individuals and public bodies. Her commitment to this area led to the development of our Law in Society programme, which has funded well over 100 projects, looking at various aspects of administrative law, including projects on pathways to tribunals and other aspects of administrative decision-making. Notable areas in which the Foundation funded work were on immigration law, mental health law, and social security tribunal decision-making.

Geneva's influence at the Foundation was characterised by her determination to ensure that the projects we funded had significant potential to 'advance social well-being' and that we used our ability as a neutral and objective funder of robust evidence to convene disparate groups to discuss the implications of that evidence. She also played an important role in the Foundation's enquiry into empirical research in law, borne out of a concern that there was a shortage of people with both the empirical research skills and the legal knowledge to examine how the law worked in practice, and not just on the page.

Geneva also influenced our work more generally, particularly through her determination that we should always look to achieve practical impact, and that our activities should be as transparent as possible.

study of final financial remedy orders which explored the extent to which pensions were considered, the nature and quality of 'financial disclosure' available to the courts, and the economic rationality and fairness of the orders made. Hilary Woodward's project was funded with a grant of £74,000 in 2010, and Jo Miles and Emma Hutchings' work was funded by a grant of £70,682 in 2012.

Family Drug and Alcohol Court evaluation

In February 2015 the DfE announced £2.5 million of funding to develop a National Family Drug and Alcohol Court (FDAC) and to nurture new FDAC courts across the country. FDAC is a new approach to care proceedings that tackles the substance misuse of parents. A crucial factor in this decision were the findings from independent evaluations funded by the Foundation and led by Professor Judith Harwin at Brunel University. We published the final report from the second stage of the evaluation in May 2014, and the positive findings led to significant interest in promoting the model across the Family Justice System, including from the President of the Family Division of the High Court, Sir James Munby. The FDAC evaluation team is now working with the delivery team to provide advice and support to District Family Judges and local partners as they implement the rollout. The second stage of the evaluation was funded with a grant of £295,393 in 2011.

Repeat removals

Dr Karen Broadhurst from the University of Manchester reported her findings from a feasibility study using data from the Children and Family Court Advisory and Support Service (Cafcass) in June. Funded by a grant of £35,000 in 2013, she found that approximately one in every three care applications concerns a mother who can be described as a repeat client of the family court, usually very young women who have had one or more infants taken into public care or adoption. In light of these findings, we have now awarded a grant of £249,788 for an in-depth study which will explore this problem further and consider what might be done. Dr Broadhurst will report findings from this project in 2016. This kind of work also demonstrates our aim to ensure that administrative and other public data is used to better effect to inform policy and practice.

Economic advantage and disadvantage

The Mirrlees Review of taxation

The IFS' *Mirrlees Review* of the tax system, funded in 2006 with a grant of £312,000 from the Foundation and one of a similar size from the ESRC, continues to have an impact on fiscal policy following its publication

in 2010. The Chancellor referenced it as the intellectual backdrop to the decisions about ISAs and taxation of savings income in the 2014 budget, and the review's chapter on inheritance tax was used by the IFS to inform the debate about raising the threshold. This illustrates the long timeframes often needed for even the most robust evidence to influence complex policy areas.

Expenditure and measuring living standards

Following a seminar hosted by the Foundation in April 2014, Professor Thomas Crossley from the University of Essex published findings from his project to develop reliable but brief expenditure questions for surveys designed to measure living standards, something that up until now has been done via questions about income or long suites of questions. These questions have been tested by NatCen and will be further tested in other social surveys.

Wealth and Assets Survey

As part of our commitment to promoting an appropriate infrastructure for research evidence, we have been working throughout 2014 to promote the future of the Office for National Statistics Wealth and Assets Survey, the only source of detailed and representative information on private household wealth, assets and debt in the UK. While it would not be appropriate for the Foundation to fund large scale government data collection of this kind, we are keen to demonstrate its growing value to researchers and policymakers and funded an international conference held in March 2015. This event facilitated a discussion between key stakeholders, such as the ONS, the Bank of England, government departments including the Department for Work and Pensions, universities and research institutes, on how best the survey can be supported and improved.

Finances of ageing

Two grants made in 2014 under our new programme of Finances of Ageing are worthy of note. The first, of £218,257, was awarded to Professor Ruth Hancock at the University of East Anglia for her project to understand the interactions between state pension and

long-term care funding reforms in Great Britain. This project will bring together a team from UEA, the LSE and the Pensions Policy Institute to investigate how the forthcoming reforms to both state pensions and the financing of long-term care could evolve over the next 40 years, and their sensitivity to a number of possible changes.

The second grant was for £319,543 to Professor David Bell from the University of Stirling to extend the pilot survey of the Scottish Longitudinal Study of Ageing (SLSA), which has already received funding from the US National Institute on Ageing. We hope this extension will help establish a high-quality data resource intended to address the many economic, social and health problems faced by older people in Scotland. In addition, by building in appropriate comparisons with the English Longitudinal Study of Ageing, it will allow examination of the effects of the different populations and policies on outcomes that may diverge under devolution.

Open Door

In March, Professor Meg Russell, Deputy Director of UCL's Constitution Unit, published her findings from a study designed to address the question of whether the Commons' claim of financial primacy on Lords' amendments is in need of reform, funded with a grant of £22,822 in 2013. The issue is particularly important in relation to recent concerns about parliamentary procedure and its role in ensuring scrutiny of policies, such as those that arose in relation to the Welfare Reform Bill. Professor Russell concluded there was no evidence of abuse, but she argued for far greater transparency and advance decision-making about when financial primacy claims would be invoked. She has since met with the Speaker of the House about implementing her recommendations.

Evidence for informed public debate

Our 2013 report featured findings from the first phase of the Social Policy in a Cold Climate project, which examined the effects of the major economic and social policy changes under the Labour governments of 1997-2010. Undertaken by the University of Manchester and the London School of Economics' Centre for Analysis of Social Exclusion (CASE), this project was co-funded with the Joseph Rowntree Foundation and

the Trust for London in 2011. In November 2014, the first output from phase two – which examines the same social policy issues for the Coalition government – was published. The authors concluded that changes to direct taxation and benefits made since 2010 have resulted in the poorest deciles of the population losing a greater share of their income than the richest, and that overall, these changes have not reduced the deficit because revenue gains were offset by the cost of tax reductions, particularly the increase in the income tax personal allowance. These findings were widely reported in the media, including being used by journalists in interviews with senior politicians, and will be augmented by the full findings published in January 2015.

In July 2014 we awarded a grant of £128,695 to the IFS to produce election briefings on a range of issues and policies including public finances, public spending, living standards, earnings, inequality, tax, welfare, pensions, education and productivity. In previous years these briefings have had widespread impact through use by print and broadcast media as well as think tanks, commentators and social media. We fund this work not to advance any particular viewpoint, but to ensure a better informed public debate, as we did before the 2010 election, and as we have done for some time in funding the IFS Green Budget.

We made a similar grant of £75,000 in March to independent fact-checking charity Full Fact to strengthen its live fact-checking on claims made during the election period. Full Fact has a good reputation for its work, especially its support for accurate reporting of statistics.

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EDUCATION

We aim to influence education policy and practice in order to help young people develop the understanding and skills required to fulfil their potential in society. We also support the development and progression of young scientists and social scientists.

Our current focus is on early years education and childcare, primary education, secondary education transitions, and science and mathematics education.

Post-16 mathematics

While we welcome the introduction of new 'Core Maths' qualifications aimed at students for whom AS and A level Maths are not suitable, we are concerned that the government's failure to coordinate its various reforms may put its goal of universal participation in post-16 maths at risk. These reforms include making GCSE Maths more demanding, detaching AS from A levels, and replacing the modular structure in favour of terminal exams. These concerns were set out in our report *Mathematics after 16: the stage of play, challenges and ways ahead*, which brought together a wide range of evidence on mathematics education policy and participation.

The report argues that previous attempts to introduce alternative post-16 maths qualifications – such as AS and A level Use of Mathematics – have not achieved as much as hoped because they have not received full and sustained support from universities, Ofqual and government. We are also concerned that the timescale for the introduction of the qualifications is rushed, leaving little opportunity for coordination with other subjects. A further concern is that the recent growth in the numbers taking AS level maths should not be inhibited, particularly in a context in which it is 'decoupled' from the A level.

We are pleased that several awarding bodies are using Nuffield Foundation teaching resources as part of their Core Maths qualifications and we are updating them for this purpose.

We have made progress in our goal of more consistent and high-quality assessment of quantitative skills within A level subjects other than Maths. In April the DfE concluded its consultations on the content and design of key A levels, which included the decision to highlight the mathematical content and the requirement of minimum weightings for mathematical skills in a range of A levels. This was one of the main recommendations

of our 2012 report *Mathematics in A level assessments* and its companion publication from SCORE (Science Community Representing Education). While this is good news, we let Ofqual know of our concern that beyond these weightings there is no detail on how the variation in the assessment of quantitative skills will be addressed and monitored. We are also concerned about the omission of some subjects, such as Sociology.

Black and ethnic minority students' access to higher education

In July, a report from the LSE showed that university applicants from black and ethnic minority backgrounds are less likely to receive conditional offers than comparable white British applicants. Funded by a grant of £59,672 in 2010, Dr Michael Shiner's research team looked at 50,000 university candidates provided by the Universities and Colleges Admissions Service (UCAS) covering the 2008 admission cycle. They found that applicants from ethnic minority groups were significantly less likely to be offered a university place even after taking into account academic attainment, family social class background, gender and the type of school attended. These findings were reported

to policy-makers and key decision-makers in higher education institutions.

Funding and access: exploring common beliefs

Professor John Micklewright at the UCL Institute of Education is leading a project, funded by a grant of £149,660 in 2011, to shed light on the possible causes of the socio-economic gap in higher education participation and completion. This year the project reported that graduates who went to private schools earn substantially more than those who went to state schools, even where their grades are identical. Students from less affluent backgrounds are also more likely to drop out and less likely to graduate with a first or upper second class degree than their peers from more affluent backgrounds, even if they arrive at university with similar grades. These findings were discussed at a seminar hosted by the Foundation and have since been the subject of discussion by policy makers from all the main political parties as they formulate their higher education policies. A book bringing together the findings from this project will be published in 2015/16.

In memory of Professor Sir David Watson

David Watson was a Trustee of the Foundation for nearly ten years, retiring shortly before his death. David played a significant role in a fundamental reorientation of the Foundation's education programmes, in particular in the growth of a substantial body of research aligned to key issues in policy and practice. Under his close and careful watch the Foundation has become one of the most notable funders of education research, in its broadest sense, in the UK. He was an internationally renowned expert on higher education, but also had a deep understanding of schools, further education and lifelong learning. He cared deeply about the potential for education to increase opportunities in life.

He played a particularly important role in our work on all aspects of the teenage years. He chaired the advisory group for the first phase of the Nuffield-funded review of 14-19 education and training, which synthesised a wide-range of evidence. He also took a keen interest in the second phase of this project, which resulted in detailed policy recommendations. David also played an active and strategic role in relation to our programme of work on adolescent mental health, which examined the broader situation of adolescents today.

David's influence on the Foundation was much wider than our work in education. He had an eye for ways in which we could fund practical projects that built on research evidence. He also had an appetite for smaller projects that did not fit easily into mainstream categories but which had the potential to open up new areas of interest. He took a special interest in work that crossed boundaries and was unlikely to be of interest to other funders. And he understood the importance of taking well-placed risks when outcomes could not be guaranteed, recognising the need for change as well as continuity.

David played an active role in maximising the impact of Foundation-funded projects by chairing numerous seminars and events at Bedford Square, invariably raising the level and quality of discussion. His style was one in which there was a sense of occasion, recognising the importance of the topic, but also a relaxed informality that brought out the best in everyone.

Through all of this, David was challenging but warm, making tough judgements when required, but always in a way that was constructive and underpinned by his unflinching integrity. We feel his loss greatly.

Practical science

We are working in partnership with the Gatsby Charitable Foundation and the Wellcome Trust on a programme of work exploring how we can better enable all schools and colleges to engage their students with good practical work in science. One project aims to identify better approaches to the assessment of practical skills in science GCSEs and A levels. Another is a long-term monitoring programme to capture changes in the quality and quantity of practical science in a representative sample of 1,000 schools and colleges.

This partnership was initiated following Ofqual's decision to remove practical assessment from science A levels and its proposal to do the same for GCSE sciences. These proposals have been subject to a great deal of criticism from the science education community, including the Foundation. We believe the changes are being made without evidence on the effect they may have on the quality and quantity of practical science being carried out in schools, on the effectiveness of written questions in assessing practical skills, or on the potential impact on students' engagement in science learning.

Deaf children and dyslexia

A study led by Dr Ros Herman from City University London found that the education system is neglecting the needs of deaf children. Over half of the deaf children assessed had reading difficulties that were at least as severe as the problems faced by hearing children with dyslexia. However there are no specific interventions routinely offered to support reading development of deaf children, meaning they many are unnecessarily falling behind their peers. We are now looking for opportunities to support specialist reading interventions for deaf children who communicate using spoken language, to ensure they receive the equivalent support to their hearing classmates. A second stage of the study, funded with a grant of £136,543 in 2012, is looking at the reading skills of deaf children who sign, and this will report in 2016.

A second project addressing the needs of deaf children found that those with only mild hearing losses are overlooked in schools, resulting in academic achievement no better than profoundly deaf children. The report recommends more support hours for children with mild hearing loss as well as improved acoustics in classrooms to better enable them to hear lessons. The project was carried out by researchers from Moray House School of Education at the University of Edinburgh and the National Technical Institute for the Deaf at the Rochester Institute of Technology with a grant of £142,972 in 2010.



CAPACITY BUILDING

We believe policy and practice should be influenced by independent and rigorous evidence. We aim to ensure longer-term capacity for such work by supporting the development of young scientists and social scientists. We are unusual in linking capacity building in our areas of interest with investment in long-term change.

Nuffield Research Placements (NRP)

Nuffield Research Placements are designed to encourage more young people, particularly those from less well off backgrounds, to choose a career in science, technology, engineering and maths (STEM). They provide Year 12 students with the opportunity to spend their summer holidays working on a research project in a professional environment. Students are recruited by a network of regional coordinators. In 2014, we supported 1,100 students to undertake placements.

Last year we reported on significant gains in our aim to target students from less well-off backgrounds and this year we have continued to make progress.

Figure 1 shows the Free School Meals (FSM) categories of the participating students' schools over the past four years. Category 0 represents schools with no students eligible for FSM (and those where there is no data, mainly independent schools) and Category 4 represents schools with the highest proportion of students eligible for FSM. We have continued to increase the proportion of students from category 3 and 4 schools, amounting to 50% of students in 2014.

Figure 2 shows how, using the Indices of Multiple Deprivation measure (IMD) relating to home postcodes, we have seen a further demographic shift this year from the most advantaged to the most disadvantaged deciles. In 2014, 55% of NRP students came from lower income households and were therefore eligible for a bursary.

This year we introduced an online application and database system. This has enabled us to administer the programme more efficiently by tracking applications in real time and identifying where additional support is needed to encourage further applications from target schools. It has also enabled us to collect and

analyse additional data, and to increase accessibility for students.

In 2015 we will continue to explore ways to build stronger and more sustained relationships with target schools and to increase support for students from

less well-off backgrounds. We will also increase the mathematics and social science placements piloted in 2014 and formulate plans for longitudinal data collection that will enable us to provide evidence on the longer term impact of the programme.

Figure 1 | Free School Meals category of schools/colleges of Nuffield Research Placement students

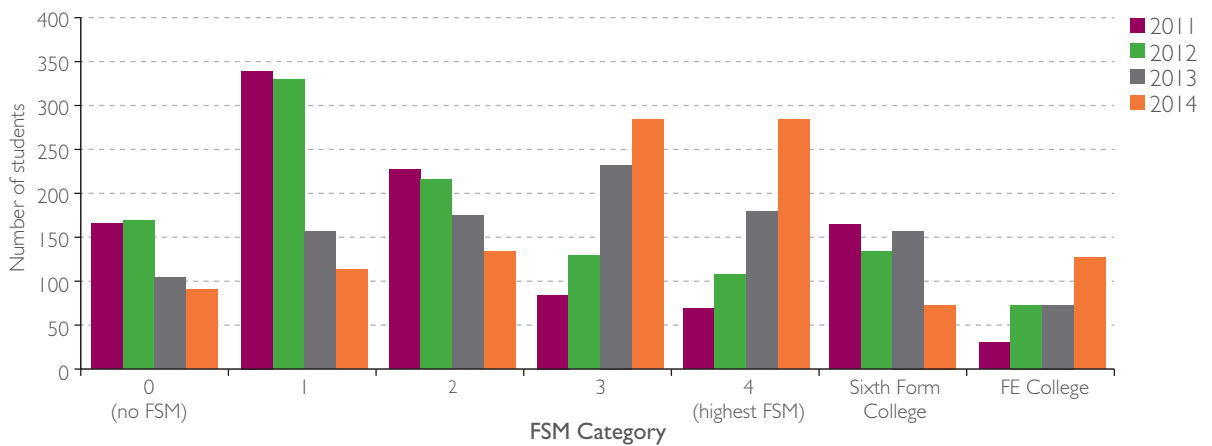
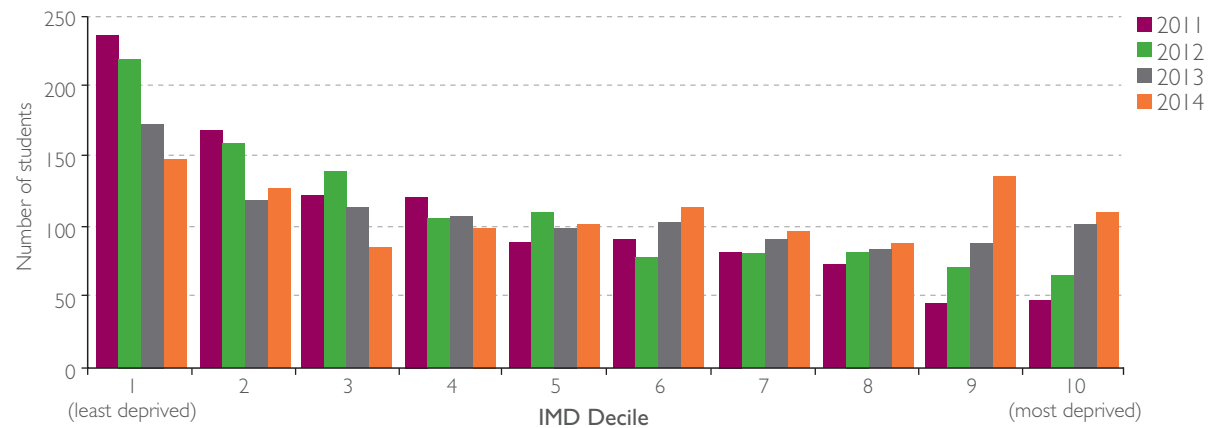


Figure 2 | Nuffield research placement students by Indices of Multiple Deprivation Decile



Q-Step

2014 was the first full year of Q-Step, a programme to promote a step-change in quantitative social science skills for undergraduates, jointly funded with the ESRC and HEFCE. March 2014 saw the formal launch of the programme, with an inaugural conference: *Counting them in: quantitative social science and the links between secondary and higher education*. It was held at the Royal Society and attended by university and school teachers, examiners, university lecturers, awarding bodies, learned societies and subject associations. Keynote speakers included the then Rt Hon David Willetts MP, Minister for Universities and Science, Sir Andrew Dilnot CBE, Chairman of the UK Statistics Authority and Dr Rita Gardner CBE, Director of the Royal Geographical Society.

During 2014, we were pleased to announce the addition of the University of Leeds to the network of Q-Step Centres. The University of St Andrews had to withdraw from the programme, and the University of Leeds, whose application was ranked as the next strongest at the time of the selection meeting, was asked to submit an updated proposal. That proposal passed a further review process and we are delighted to welcome them as one of the 15 funded Centres.

Q-Step Affiliates

As part of our work to broaden the reach of Q-Step, we have awarded Q-Step Affiliate Status to the Universities of Essex, Nottingham and Southampton. All three had reviewed their undergraduate provision in quantitative social science and developed a programme to introduce additional curricular materials, courses or modules. They are also looking at ways to signal to A level students the importance of quantitative skills, which complements our interest in secondary mathematics education. A total of £90,000 has been awarded to the three universities to fund short courses and student bursaries for work placements until the end of the Q-Step Programme in 2018.

New degree programmes and staff

Most of the 15 Q-Step Centres have spent the year recruiting new posts funded by the programme to provide additional quantitative education in their

social science departments, designing and approving curricular changes, and recruiting students for their first proper intake year (though many are already providing additional courses or modules to their current undergraduates). Forty-three of the 53 new posts have now been filled, the vast majority by people recruited from postdoctoral research positions or from outside the UK, and so increasing capacity across the higher education sector.

Six Q-Step Centres enrolled students on their new degree programmes in October 2014, either via UCAS or by enabling existing students to transfer. The remaining Centres will launch their new degree courses as part of their plans for the 2015/16 academic year, although all centres have already put in train curricular changes in addition to special degree pathways. We have been impressed by the commitment of the participating universities, all of which provided significant institutional support for broadening and deepening their quantitative skills education in undergraduate social science, and some of which are developing advanced pathways through to postgraduate level.

Engaging secondary students and work placements

Q-Step Centres have also been promoting the applications of quantitative skills to secondary education students, for example by holding events for secondary school students as part of the ESRC's Festival of Social Science. Cardiff University has piloted an AS qualification in social analytics, which was oversubscribed. Several Q-Step Centres ran work placement programmes to give undergraduates direct experience of using quantitative analysis in a professional environment and to put theory acquired on their degree courses into practice. We have learned a lot from these links between Centres and employers and are looking for opportunities to develop them further.

Q-Step in 2015

In 2015 we aim to broaden the reach of Q-Step through our support programme. Specifically, we will support the efforts of Centres that have special networks or outreach to schools so that signalling about the importance of post-16 maths skills is amplified. We will also encourage wider outreach

to employers who may provide work placements and engage more learned societies with our work, focussing both on their role in advising about A level curricula and in promoting disciplinary norms for teaching provision at undergraduate level.

Oliver Bird Rheumatism Programme

2014/15 is the last year of the current Oliver Bird Rheumatism Programme, launched in 2003. Its aim is to build capacity in rheumatic disease research by developing a cohort of outstanding young research scientists.

We were pleased to see Aberdeen student Anastasia Pavlova awarded the President's Prize at the Society for Back Pain Research AGM for her talk on the shape of the lumbar spine and its effect on lifting manoeuvres.

In September 2014, the programme's final annual conference was hosted by Kings College London. It was attended by current students, visiting alumni, and students from Arthritis Research UK. Sessions were held on: immunity, inflammation and aberrations; matrix, bones and biomechanics; genetics and functional genomics; and novel therapeutic approaches.

In 2014 we began planning a review of the programme, including an external evaluation of its results. We will complete this in 2015. The review will inform Trustee discussions of how best to allocate future income from the Oliver Bird Fund, which is restricted to issues related to arthritis and rheumatism.

Africa Programme/Commonwealth Relations Trust

As we reported last year our Africa Programme is now closed to new applications. Funding comes from the Commonwealth Relations Trust, a restricted-purpose subsidiary trust of the Nuffield Foundation generating about £320,000 each year. This money is currently committed to two projects. The first of these is the European Foundation Initiative for Neglected Tropical Diseases (EFINTD). We are

one of five international foundations that fund and administer EFINTD, which aims to strengthen research capacity in both biomedicine and public health aspects of diseases such as sleeping sickness, intestinal worms and river blindness. One of the main mechanisms for doing this is by funding fellowships for young African researchers in African research institutions. These researchers have now developed a network which was launched at a conference in Hamburg in October 2014.

The second project, funded with a five-year grant of £583,287 in 2013 is a study led by Dr Lucy Cluver at the University of Oxford to identify psychosocial, family and service mechanisms to improve adherence to antiretroviral medication amongst adolescents in Southern Africa. This collaboration with UNICEF and the Departments of Health, Social Development and Basic Education of the South African Government, with Paediatric AIDS Treatment for Africa has already generated considerable interest – on the part of governments and NGOs – in the baseline findings. These highlight the importance of social predictors of adolescent adherence to their anti-retroviral treatment and suggest ways in which adherence may be improved.

Nuffield Council on Bioethics

The Nuffield Council on Bioethics examines and reports on ethical issues in biology and medicine. It was established by the Trustees of the Nuffield Foundation in 1991, and since 1994 has been funded jointly by the Nuffield Foundation, the Wellcome Trust and the Medical Research Council.

In 2014 the Council published a report on the culture of scientific research, concluding that aspects of this culture in UK higher education institutions can encourage poor research practices and hinder the production of high quality science, and suggested ways this might be improved.

The Council's 2012 review of novel techniques for the prevention of mitochondrial DNA disorders was widely referenced in debates on regulations to allow mitochondrial donation, which were subsequently approved by Parliament in February 2015. The Council also published a record of developments relevant to its 2013 report on donor conception.

Other projects currently underway include one on the ethical issues arising from children taking part in clinical research, and another on the ethical issues of analysis and use of biological and health data. All these projects are reported on in full in the Council's own annual report available on its website, www.nuffieldbioethics.org

Grants awarded during 2014

Name	Purpose	Value (£)	Term (m)
Social Policy: Children and Families			
Professor Paul Bywaters, Faculty of Business, Environment and Society, Coventry University	Identifying and understanding inequalities in child welfare intervention rates: comparative studies in four UK countries	557,705	24
Dr Karen Broadhurst, School of Nursing, Midwifery and Social Work, University of Manchester	Vulnerable birth mothers and recurrent care proceedings: a population profiling study	249,788	22
Gail Gilchrist, National Addiction Centre, King's College London	Bridging the evidence gap in family proceedings: predicting which mothers who drink excessively will achieve and maintain the abstinence required to retain care of their children	233,169	39
Caroline Bryson, Bryson Purdon Social Research LLP	Data we have - and data we need - to understand the lives of separated families	130,416	18
Professor Nicholas Clarke, School of Management, University of Southampton	Evaluating team-based learning for assessing parental capacity for change	43,685	24
	Grants of less than £35,000	17,900	
	Supplements to earlier grants	18,276	
	Cancelled grants	(6,055)	
TOTAL: CHILDREN AND FAMILIES		1,244,884	

Name	Purpose	Value (£)	Term (m)
Social Policy: Law in Society			
Professor Maurice Sunkin, School of Law, University of Essex	UK Administrative Justice Institute (UKAJI)	325,000	38
Professor Marian Brandon, School of Social Work and Psychology, University of East Anglia	Understanding men's perspectives on encounters with the child protection system	196,044	30
Professor Paul Beaumont, School of Law, University of Aberdeen	Conflicts of EU courts on child abduction	88,841	20
Lorna McGregor, School of Law, University of Essex	The role of national human rights institutions in providing access to justice	81,817	15
Dr Pablo Cortes, School of Law, University of Leicester	Incentives for Effective Consumer Redress in the EU	67,606	20
	Grants of less than £35,000	23,500	
	Supplements to earlier grants	23,443	
	Cancelled grants	(21,733)	
TOTAL: LAW IN SOCIETY		784,518	
Social Policy: Open Door			
Paul Johnson, Institute for Fiscal Studies	IFS General Election analysis 2015	128,695	8
Professor Sir David Hendry, Institute for New Economic Thinking, University of Oxford	Online meta-database and data visualisation of long-term social, economic and environmental trends	79,355	12
Will Moy, Full Fact	Full Fact legal / election fact checking	75,000	12
	Grants of less than £35,000	20,000	
	Supplements to earlier grants	1,298	
	Cancelled grants	(53,953)	
TOTAL: OPEN DOOR		250,395	

Name	Purpose	Value (£)	Term (m)
Social Policy: Finances of Ageing			
Professor David Bell, Division of Economics, University of Stirling	Extending the pilot of the Scottish Longitudinal Survey of Ageing	319,543	24
Professor Ruth Hancock, Norwich Medical School, University of East Anglia	Understanding the interactions between state pension and long-term care funding reforms in Great Britain	218,257	24
TOTAL: FINANCES OF AGEING		537,800	
Social policy: Economic Advantage and Disadvantage			
Professor Michael Devereux, Said Business School, University of Oxford	Developing a business profit tax fit for the 21st Century	154,051	21
TOTAL: ECONOMIC ADVANTAGE AND DISADVANTAGE		154,051	
TOTAL: SOCIAL POLICY		2,971,648	
Education			
Professor Charles Hulme, Division of Psychology and Language Sciences, University College London	Evaluating a parent-delivered language enrichment programme for disadvantaged pre-school children	232,140	24
Professor Dame Celia Hoyles, London Knowledge Lab, UCL Institute of Education	Developing teachers' mathematical knowledge for teaching through engagement with key mathematical concepts using dynamic digital technology	198,439	24
David Wilkinson, National Institute of Economic and Social Research	Better schools for all? School effectiveness and the impact on pupils	194,408	24
Professor Peter Blatchford, Department of Psychology and Human Development, UCL Institute of Education	The special educational needs in secondary education (SENSE) study	179,809	33

Name	Purpose	Value (£)	Term (m)
Professor Peter Tymms, Centre for Evaluation and Monitoring, Durham University	Establishing a baseline of children starting school and monitoring progress in the first year in primary schools of the Western Cape, South Africa	143,239	36
Luke Sibieta, Institute for Fiscal Studies	The shape of public spending on education	142,946	24
Dr Jo Van Herwegen, Department of Psychology, Kingston University	Improving preschoolers' number foundations: the preschool number learning scheme	139,564	18
Dr Emily Tanner, National Centre for Social Research	Out of school activities and the education gap	124,927	15
Jonathan Clifton, Institute for Public Policy Research	Transitions at age 14	119,414	12
Sue Hough, Faculty of Education, Manchester Metropolitan University	Investigating the impact of a realistic mathematics education approach on achievement and attitudes in Post-16 GCSE mathematics resit classes	82,202	14
Dr Rose Griffiths, School of Education, University of Leicester	A guide to the use of manipulatives in the foundations of arithmetic	75,291	25
Professor Adeline Delavande, Institute for Social and Economic Research, University of Essex	Information, expectations and transition to higher education	62,425	33
Dr Kinga Morsanyi, School of Psychology, Queen's University Belfast	Do children with developmental dyscalculia have an order processing deficit?	62,109	19
	Grants of less than £35,000	147,275	
	Supplements to earlier grants	36,622	
	Cancelled grants	(26,215)	
TOTAL: EDUCATION		1,914,595	

Name	Purpose	Value (£)	Term (m)
Capacity Building: Q-step			
Julia Clarke, Leeds University Business School, University of Leeds	Q-Step Centre Leeds	718,980	49
Grants of less than £35,000		110,000	
Cancelled grants		(798,278)	
TOTAL: Q-STEP		30,702	
Capacity Building: Nuffield Research Placements			
	1,100 placements	652,270	
Cancelled grants		(114)	
TOTAL: NUFFIELD RESEARCH PLACEMENTS		652,156	
Capacity Building: Social Science Small Grants			
Cancelled grants		(3,621)	
Capacity Building: New Career Development Fellowships			
Cancelled grants		(7,334)	
TOTAL: CAPACITY BUILDING		641,201	
TOTAL: GRANTS AWARDED		6,475,449	
TOTAL: GRANTS CANCELLED		(917,303)	
TOTAL: ALL PROGRAMMES		5,558,146	

Structure, governance and management

The Trust Deed

The Nuffield Foundation is a charity registered with the Charity Commission (206601). It was established by Trust Deed on 9 June 1943 by Lord Nuffield and granted a certificate of incorporation of the Trustees as a body corporate on 12 September 2011. The Trust Deed details the objects of the Foundation which include: the advancement of health; the advancement of social well-being; the advancement of education; the care and comfort of the aged poor; the relief of handicaps; the benefit of the Commonwealth and 'such other charitable purposes as shall be declared in writing by all the Trustees'.

The Trust Deed has been amended on a number of occasions, most recently in 2003. A Common Investment Fund was established by a Charity Commission scheme which took effect on 1 January 1980. It allowed the investments of different charities (but for which the Foundation Trustees were also responsible) to be invested as one unit. Subsequently these funds (the Oliver Bird Fund, the Elizabeth Nuffield Educational Fund and the Commonwealth Relations Trust) have been classified as 'subsidiary charities' of the Foundation and are only identified separately in the notes to these accounts.

Trustees

The Foundation has seven Trustees (who act jointly as a corporate body created under the powers now in the *Charities Act 2011*). They are appointed by other Trustees and serve a maximum of twelve years. Trustees meet four times a year and are advised by the following committees:

- Investment Committee (includes three Trustees and two independent investment professionals)
- Audit and Risk Committee (includes two Trustees and an independent accountant)

- Staff and Remuneration Committee (comprising two Trustees)
- Nominations and Governance Committee (comprising three Trustees)

A 'Panel for Trustee Remuneration' is externally chaired and periodically reviews the remuneration of Trustees. Terms of reference for all committees and panels, and parameters for the delegation of authority to senior staff are set by Trustees. New Trustees receive an induction, including a series of meetings with other Trustees and senior staff, and a *Handbook for Trustees*, containing information about procedures, committees, meetings, decision-making, and financial procedures at the Nuffield Foundation.

Organisational structure and management of the Foundation

The Foundation employs 31 full-time equivalent (FTE) staff, including 11 Nuffield Council on Bioethics staff. Although Nuffield Council on Bioethics staff are employed by the Foundation, the Council acts independently. A senior management team, comprising the Director, Finance Director, Director of Education and Director of Social Research and Policy, is responsible for the management of the Foundation and for advising Trustees on strategic and operational matters. Trustees are responsible for grant-making decisions at meetings, although these may be delegated according to agreed procedures.

In 2014 we became a Living Wage Employer, accredited by the Living Wage Foundation. For the Foundation, the practical effect of the Living Wage commitment means that now all our regular third-party contractors and suppliers (mainly catering and cleaning workers) receive at least the London Living Wage, in 2014 a minimum hourly wage of £8.80, significantly higher than the national minimum wage. We implement annual uplifts in January of each year.

Risk management statement

Trustees are responsible for the management of risks with detailed consideration of some matters delegated to the Audit and Risk Committee, supported by senior staff. Risks are identified and assessed and controls are reviewed throughout the year. A formal review of the Foundation's risk management processes is undertaken annually, and a more thorough-going review is planned in 2015. Key areas of risk include:

- Investment management, strategy and controls.
- Resource allocation choices and reputational damage.
- Financial controls and cash flow planning, budgeting and management accounting.
- People, both absence and under-performance.
- Foundation infrastructure.

Trustees are satisfied that the major risks identified through the risk management processes are adequately managed. We recognise that processes need to be underpinned by substantive judgements and open discussion of these is a hallmark of our approach.

Statement of grant-making policy

All grants made under our major grant programmes are peer reviewed by independent referees. Final decisions on these applications are made by Trustees. Nuffield Research Placements are awarded by a network of regional coordinators who operate under a service level agreement with the Foundation.

Details of available funding and the application process for each programme are published on our website. We require ethical scrutiny of proposals involving primary research, and evidence of a commitment to the communication and dissemination of research findings. Grant-holders are required to submit an end of grant report, with interim reports required for longer-term grants.

This year Trustees discussed the implications of the *Transparency of Lobbying, Non-Party Campaigning, and Trade Union Administration Act 2014*. After considering official and legal guidance, Trustees confirmed that

none of the work we fund or carry out constitutes campaigning, and the Foundation did not register as a non-party campaigner. We have long taken special care, often involving additional peer review, to ensure that work we fund that is designed to inform public debate is as objective and rigorous as it can be, and cannot reasonably be seen as campaigning within the meaning of this Act or general Charity Commission guidance.

The Foundation holds a certificate of best practice in medical and health peer review from the Association of Medical Research Charities (AMRC).

Financial Review

Our continuing aim (in financial terms) is to reduce the unrestricted expenditure reserve back to within its target range of +/-£2m. In fact 2014 generated an unrestricted, undesignated surplus of £194k, leaving the year end unrestricted, undesignated reserve at £4.2m. However, a number of grants (worth £888k) were awarded conditionally and were not yet finalised at year end, meaning that they do not qualify as 2014 expenditure. Had those grants been confirmed our unrestricted, undesignated expenditure reserve would have been reduced to £3.3m by the year end. Our target for 2015 remains its further reduction.

Other than spending, the main driver of the Foundation's financial fortunes are investment returns, net of inflation and management fees. Over the last five years the portfolio has returned 74% compared to an increase in inflation over the same period of 12%. This level of real return is not normal and we have used this period to settle our pension scheme liability at a cost in 2013 of £2.3m and a further cost of £0.9m in 2014. We are also taking steps to reduce our exposure to private equity from £76m to £60m to reduce the liquidity risk it represents.

Income for the period was £6.4m (2013: £17.2m, or £5.2m excluding Q-Step income) and expenditure was £11.0m (2013: £30.9m, or £11.6m excluding Q-Step). The total return distribution according to our formula was £10.9m (2013: £10.3m).

We achieved significant spending on grants in Education of £1.9m (2013 £1.8m), Children and Families (£1.2m; 2013 £1.0m), and Law and Society (£0.8m; 2013 £0.3m). Although the total expenditure on grants of £5.6m was lower than the £6.9 million planned, we would have been closer to our planned spend had all conditional grants made near the end of the year been approved in 2014. In 2015 we will begin awarding grants from our new Early Years Education and Childcare programme, which will draw its budget from the Education and Children and Families programmes. As a rule we are comfortable overspending grant budgets so long as applications pass our quality threshold, and underspending usually arises where we do not receive sufficient applications of the required quality. During the year two new staff posts were agreed to work on grant programmes with a view to increasing both the amount awarded and the impact of grants made.

On the balance sheet the main item, apart from the investment portfolio, are the grant creditors which have substantially increased from £10m in 2012 to £29.5 in 2014 because of the treatment of the £19m Q-Step Programme, where we have recognised £12m advance funding from the ESRC and HEFCE (of which £5.8m has been paid).

Table 1 | Investment performance

	1 Year	3 Years	5 Years	10 years
Nuffield Foundation (net of fees)	13.6	13.6	11.1	7.7
Bespoke Benchmark (gross of fees)	10.4	13.2	9.8	8.3
WMTotal Charities (gross of fees)	7.5	11.5	8.9	7.7
KEY				
Nuffield Foundation	Actual performance			
Bespoke Benchmark	90% MSCI ACWI; 10% UK 1 - 5 year Gilts			
WMTotal Charities	Weighted average, including property			

Investment management and governance

Performance of 13.6% (net of fees) was good, with the main sources of return reversed from last year. The public equity portfolio returned 12.7% in 2014. (2013: 21.1%) and private equity returned 25.7% (2013: 11%). Although both asset classes are highly correlated to the economic environment, their different valuation methodologies mitigate this close correlation and reduces volatility in the short term. Ten year returns are slightly below the target of 8% because of the build up of the private equity portfolio over this period which still represents a drag on performance over the period, as expected.

Accounting for total returns and reserves policy

Our intention is to produce a consistent and sustainable amount for expenditure and to maintain at least the purchasing power of the endowment over the long term. Our distribution policy since setting the 2014 budget has been to maintain its existing value in real terms, so long as assets do not fall below a set floor.

Our reserves policy is driven by two components – one to monitor short term plans, the other to monitor the long term. The short term plan is to keep the unrestricted funds which form part of the expenditure

reserve between -£2m and +£2m to allow for under-spending or over-spending from year to year. On 31 December 2014 this reserve was still above this range at £4.2m (2013: £4.0m) and as mentioned above we have grant commitments awaiting confirmation that should substantially reduce it.

The restricted expenditure reserve comprises several restricted funds and has now returned to positive territory having absorbed the full costs of the ten year programme of grants made from the Oliver Bird Fund. Similarly the Commonwealth Relations Trust will also return to positive territory in 2015. The Q-Step Designated Fund was created to manage the Foundation's £7.5m contribution to this £19m programme. The deficit will be extinguished by 2017 through transfers from the general expenditure reserve.

The second part of our policy reflects how we seek to preserve the endowment's value. The 'core endowment' represents the part of the assets we seek to maintain in real terms. It is based on the value of the endowments at 31 December 2003 together with an allowance for subsequent inflation. This 'real value' of the endowment is shown in **Table 2** as the 'target value at 31 December 2014'. If the value of the endowment is more than the target value we deem that it has been preserved in real terms; if smaller it

Table 2 | Reserves position

£000s	Lower limit	31/12/2014 Actual	Upper limit
Core endowment			
'Preserved Value' at 31 Dec. 2003		188,311	
Allowance for inflation		66,502	
Target Value at 31 December 2014	214,043	254,813	295,583
Allowance for market volatility		36,271	
ENDOWMENT TOTAL	214,043	291,084	295,583
Expenditure reserve			
Restricted		107	
Designated		(4,870)	
Unrestricted	(2,000)	4,170	2,000
TOTAL FUNDS		290,491	

has not. However we expect a portfolio like ours to be volatile in a normal range of plus or minus 16% of this real value. Setting these upper and lower ranges enables us to identify when the endowment has drifted too far from its target value. If this happened, we would conduct a review of the distribution rate. The 'allowance for market volatility' simply reconciles the target value with the actual value of the endowment shown on the balance sheet. At 31 December 2014 the market value of the endowment total represented 114% of its target value (2013: 105%), suggesting that the Foundation's finances, at the end of 2014 at least, were within 2% of the upper range and therefore, still on an even keel. This is shown in **Table 2**.

Statement of Trustees responsibilities

The Trustees are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations. Charity law requires the Trustees to prepare financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under charity law the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charity and of the incoming resources and application of resources, including the income and expenditure, of the charity for that period.

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

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

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charity's transactions and 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 *Charities Act 2011*. 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.

Financial statements are published on the charity's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the charity's website is the responsibility of the trustees. The Trustees' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Approved by the Trustees on 10 July 2015 and signed on their behalf by:



Professor David Rhind
Chairman

Independent auditor's report to the Trustees of the Nuffield Foundation

We have audited the financial statements of the Nuffield Foundation for the year ended 31 December 2014 which comprise the statement of financial activities, the balance sheet, the cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charity's Trustees, as a body, in accordance with the *Charities Act 2011*. Our audit work has been undertaken so that we might state to the charity's Trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and the charity's Trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Trustees and auditor

As explained more fully in the statement of Trustees' responsibilities, the Trustees are responsible for the preparation of financial statements which give a true and fair view. We have been appointed as auditor under section 144 of the *Charities Act 2011* and report in accordance with regulations made under section 154 of that Act. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements


In our opinion the financial statements:

- give a true and fair view of the state of the charity's affairs as at 31 December 2014, 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 *Charities Act 2011*.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the *Charities Act 2011* requires us to report to you if, in our opinion:

- the information given in the Trustees' Annual Report is inconsistent in any material respect with the financial statements; or
- sufficient accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.



BDO LLP, Statutory Auditor, Gatwick, United Kingdom.

Date: 13 July 2015

BDO LLP is eligible to act as an auditor in terms of section 1212 of the *Companies Act 2006*. BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Financial statements

Statement of financial activities

	Note	Unrestricted funds	Restricted funds	Endowed funds	Total 2014	Total 2013
		£000s	£000s	£000s	£000s	£000s
INCOMING RESOURCES						
Incoming resources from generated funds						
Voluntary income	2	41	631	–	672	12,707
Activities for generating funds		39	–	–	39	49
Other income		6	–	–	6	6
Investment income	6	5,124	367	230	5,721	4,470
Total incoming resources		5,210	998	230	6,438	17,232
Capital transferred to income	11	4,612	768	(5,380)	–	–
TOTAL RESOURCES AVAILABLE		9,822	1,766	(5,150)	6,438	17,232
RESOURCES EXPENDED						
Costs of generating funds						
Investment management costs		–	–	1,658	1,658	1,543
Charitable activities						
Social Policy		3,377	–	–	3,377	2,283
Education		2,185	94	–	2,279	2,259
Capacity Building		1,131	264	–	1,395	21,066
Nuffield Council on Bioethics		777	506	–	1,283	1,344
Pension Scheme exit		856	–	–	856	2,272
		8,326	864	–	9,190	29,224
Governance		116	–	–	116	108
TOTAL RESOURCES EXPENDED	3	8,442	864	1,658	10,964	30,875
NET OUTGOING RESOURCES AFTER TRANSFERS						
		1,380	902	(6,808)	(4,526)	(13,643)
Net gain on functional assets	5	–	–	1,175	1,175	
Net gain on investment assets	6	–	–	32,840	32,840	36,804
		–	–	34,015	34,015	36,804
Fund balances brought forward at 1 January		(2,080)	(795)	263,877	261,002	237,841
FUND BALANCES CARRIED FORWARD AT 31 DECEMBER	11	(700)	107	291,084	290,491	261,002

The net incoming/outgoing resources before transfers during the year were (£3,232k) for unrestricted funds, £134k for restricted funds and (£1,428k) for the endowed funds. The total was (£4,526k) (2013: (£13,643k)). Notes 1 – 12 form part of these financial statements.

Balance sheet

		2014	2013
		£000s	£000s
FIXED ASSETS			
Tangible fixed assets	5	5,505	4,328
Investments	6	307,446	275,357
Programme related investments	6	100	100
		313,051	279,785
CURRENT ASSETS			
Debtors	7	7,113	9,582
Bank and cash		461	1,068
		7,574	10,650
LIABILITIES: AMOUNTS FALLING DUE WITHIN ONE YEAR			
Provision for grants payable	8	(15,974)	(4,290)
Creditors	9	(665)	(598)
		(16,639)	(4,888)
NET CURRENT LIABILITIES		(9,065)	5,762
LIABILITIES FALLING DUE AFTER ONE YEAR			
Provision for grants payable	8	(13,495)	(24,545)
NET ASSETS		290,491	261,002
FUNDS			
Unrestricted funds			
Designated fund	11	(4,870)	(6,056)
General fund	11	4,170	3,976
		(700)	(2,080)
Restricted funds	11	107	(795)
Endowed funds	11	291,084	263,877
TOTAL FUNDS		11	290,491
		290,491	261,002

Notes 1–12 form part of these Financial Statements

These financial statements were approved by the Trustees on 10 July 2015 and were signed on their behalf by:



Professor David Rhind
Chairman

Cash flow statement

	2014 £000s	2013 £000s
OPERATING ACTIVITIES		
Net cash outflow from operating activities	(1,306)	(5,801)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		
Payments to acquire tangible fixed assets	(52)	(33)
Disinvestment from investment portfolio	751	6,249
	699	6,216
(DECREASE)/INCREASE IN CASH DURING THE YEAR	(607)	(415)
ANALYSIS OF CHANGES IN NET CASH DURING THE YEAR		
Cash at bank and in hand		
At 1 January	1,068	653
At 31 December	461	1,068
(Decrease)/increase in cash during the year	(607)	415
RECONCILIATION OF NET OUTGOING RESOURCES TO NET CASHFLOW FROM OPERATING ACTIVITIES		
Net outgoing resources for the year	(4,526)	(13,643)
Depreciation	50	53
MOVEMENT IN CURRENT ASSETS/LIABILITIES:		
Increase in grant commitments	634	18,606
Increase/(decrease) in creditors	67	(2,062)
Decrease/(increase) in debtors	2,469	(8,755)
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	(1,306)	(5,801)

Notes 1–12 form part of these Financial Statements

Notes to the financial statements

1. Principal accounting policies

a. Basis of accounting

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investments and in accordance with applicable Accounting Standards. The trustees have adopted the recommendations contained within the Statement of Recommended Practice "Accounting and Reporting by Charities, 2nd edition" (SORP) issued by the Charity Commission in March 2005, applicable UK accounting standards, and the *Charities Act 2011*.

b. Income

Investment income represents dividends and interest on fixed investments and deposits, with any associated tax credits or recoverable taxation, which are included on an accruals basis.

Investment income and other gains (or losses) are allocated to the individual funds in proportion to their holding in the Common Investment Fund at the beginning of the year.

Grants and donations are accounted for when the charity has entitlement to the funds, certainty of receipt and the amount is measurable. Where income is received in advance it is deferred until the charity is entitled to that income.

c. Expenditure

Costs of generating funds represent amounts paid to the Foundation's external investment advisors.

Charitable expenditure comprises grants and other payments made by the Trustees in accordance with criteria set out in the Trust Deed.

Grants are charged to the statement of financial activities when allocations are approved by the Trustees and promised to the recipient, less any awards cancelled or refunded. Grants which are awarded subject to conditions are included as expenditure at the point at which the Trustees agree that they no longer have control over the fulfilment of the condition.

'Other costs' include staffing, hosting seminars and conferences, commissioned research or evaluations together with any direct costs immediately attributable to a specific activity. 'Support costs' reflect the apportionment of

costs shared by all activities. The basis of this apportionment is headcount. 'Governance' comprises costs incurred in trust administration and compliance with regulatory requirements, together with its share of apportioned costs.

d. Basis of allocation of costs

Investment management costs and charity administration costs are allocated to the funds in proportion to their holding in the endowment at the beginning of the year. Where identifiable costs related to charitable activities or governance are attributed to appropriate activities and funds in full, or where not separately identifiable they are apportioned on the basis of headcount.

e. Investments

Quoted investments are included in the accounts at their mid market values as at the balance sheet date. Unquoted (e.g. private equity) investments which have no readily identifiable market price are included at the most recent valuations from their respective managers.

f. Taxation

The Foundation is a charity within the meaning of Paragraph 1 Schedule 6 of the *Finance Act 2010*. Accordingly the charity is potentially exempt from taxation in respect of income or capital gains within categories covered by Chapter 3 of Part 11 of the *Corporation Tax Act 2010* or Section 256 of the *Taxation of Chargeable Gains Act 1992*, to the extent that such income or gains are applied exclusively to charitable purposes.

No tax charge arose in the period.

g. Exchange gains and losses

All realised and unrealised exchange gains and losses on investments are accounted for in the statement of financial activities.

h. Fixed assets

The property at 28 Bedford Square together with certain furnishings is stated at market value as determined by Trustees. Leasehold properties are stated at market value plus subsequent additions at cost and are not depreciated as they are maintained to a high standard, such that their residual values are estimated to be not less than the book values and any depreciation would not

be material. Art and antiques are based on a frozen valuation (in accordance with the transitional provisions of FRS 15 'Accounting for fixed assets') made by Phillips in March 1999. Other fixed assets are stated at cost less depreciation. Assets over a value of £5,000 are capitalised. Depreciation has been calculated at the following annual rates, in order to write off each asset over its estimated useful life.

Equipment, fixtures and fittings – three years to 20 years.

i. Total return accounting

The Charity Commission permitted the Foundation to adopt the use of total return in relation to its permanent endowment on 7 February 2006. The power permits the Trustees to invest permanent endowments to maximise total return and to make available an appropriate portion of the total return for expenditure each year. Until this power is exercised the total return shall be an 'unapplied total return' and remain as part of the permanent endowment. The Trustees have decided that it is in the interests of the Foundation to present its expendable endowment in the same manner, although there is no legal restriction on the power to distribute the expendable endowment.

The Trustees have used the values of the permanent endowments at 31 December 2003 to represent the 'Preserved Value' of the original gift.

j. Fund accounting

Unrestricted funds are donations or other income received or generated for the objects of the charity without further specified purpose and are available as general funds. These are subdivided between General Funds and a Designated Fund. The latter has been created to isolate the unusually large income and expenditure (of £19m) which was allocated to the Q-Step programme in 2013, and which is being repaid evenly over a five year period.

Restricted funds have arisen from restrictions applied by donors. Expenditure that meets these criteria is identified to the fund, together with a fair allocation of support and charity administration costs.

The endowed funds of the Foundation are capital funds where normally only the income arising may be applied, in some cases on restricted purposes. These funds are either permanent or expendable, depending on whether the Trustees have power to spend the capital.

k. Pension costs

Pension costs are charged as they are incurred.

2. Incoming resources from generated funds

	2014 £000s	2013 £000s
VOLUNTARY INCOME		
Grants received in support of:		
Q-Step Programme	–	12,000
Nuffield Council on Bioethics	506	470
Nuffield Research Placements	125	121
Unrestricted activities	41	116
	672	12,707
ACTIVITIES FOR GENERATING FUNDS		
Sales, royalties and fee income	39	49

3. Resources expended

	Direct costs		Support costs	Total 2014	Total 2013
	Grants	Other			
	£000s	£000s	£000s	£000s	£000s
COST OF GENERATING FUNDS					
Investment management	–	1,658	–	1,658	1,543
CHARITABLE EXPENDITURE					
SOCIAL POLICY					
Children and Families	1,245	133	55	1,433	1,084
Law in Society	785	73	37	895	297
Finances of Ageing	538	20	9	567	–
Economic Advantage and Disadvantage	154	19	9	182	–
Open Door*	250	31	19	300	902
	2,972	276	129	3,377	2,283
EDUCATION	1,914	250	115	2,279	2,259
CAPACITY BUILDING					
Nuffield Research Placements	652	245	138	1,035	1,095
Africa Programme	–	16	9	25	314
Oliver Bird Rheumatism Programme	–	68	46	114	108
Q-Step	31	123	78	232	19,381
Closed programmes	(11)	–	–	(11)	168
	672	452	271	1,395	21,066
NUFFIELD COUNCIL ON BIOETHICS	–	767	516	1,283	1,344
PENSIONS SCHEME EXIT	–	856	–	856	2,272
GOVERNANCE COSTS					
Audit fee	–	26	–	26	23
Trustees' remuneration	–	70	–	70	69
Trustees' expenses	–	9	–	9	10
Legal Fees	–	11	–	11	6
	–	116	–	116	108
TOTAL CHARITABLE EXPENDITURE	5,558	2,717	1,031	9,306	29,332
TOTAL RESOURCES EXPENDED	5,558	4,375	1,031	10,964	30,875

*The 'Open Door' funds projects of merit lying across or outside the areas of special interest.

4. Personnel costs

	2014	2013
	£000s	£000s
Wages and salaries	1,570	1,735
Social security costs	169	188
Other pension contributions	180	207
	1,919	2,130

AVERAGE FULL TIME EQUIVALENT NUMBER OF STAFF EMPLOYED IN YEAR:

Grant-making	11	10
Science and Maths and other publications	0	1
Nuffield Council on Bioethics	11	11
Support services	9	11
	31	33

REMUNERATION OF HIGHER PAID STAFF

Between £60,000 and £69,999	–	–
Between £70,000 and £79,999	–	2
Between £80,000 and £89,999	4	2
Between £90,000 and £99,999	–	–
Between £100,000 and £109,999	1	1

Employer's pension contributions for higher paid staff were in total £54,385.

The Nuffield Foundation paid contributions during the accounting period at a rate of £2.20 for every £1 of member contributions up to a maximum of five times the member contribution, together with an additional flat rate sum regardless of contribution, of £1,104 per employee (pro rata to their hours).

The Pensions Trust

During 2013 the Foundation terminated its relationship with the Growth Plan pension scheme run by the Pensions Trust. It completed this transaction by making a single payment of £3,120,346 in return for a binding

recognition from the Pensions Trust of the discharge of any liability and an undertaking to indemnify the Trustees against overpayment of the cessation debt. At the time the advice the Foundation received was that if section 29 of the *Pensions Act 2011* was brought into force with retrospective effect the amount payable on exit by the Foundation to the Pensions Trust would be £2,264,060, and as a result the Trustees recognised £2,264,060 as a liability in the 2013 accounts and the balance of £856,286 as a debtor. Subsequently legislation in the form of transitional provisions was introduced in such a way that it meant that the debt referred to above was no longer recoverable, resulting in it being written off during the year.

5. Tangible fixed assets

	Leasehold property	Other assets	Total
	£000s	£000s	£000s
Cost or valuation			
At 1 January	4,200	318	4,518
Additions	–	52	52
Disposals	–	(83)	(83)
Revaluations	1,200	–	1,200
At 31 December	5,400	287	5,687
Depreciation			
At 1 January	–	190	190
Charge for year	–	50	50
Disposals	–	(58)	(58)
At 31 December	–	182	182
Net book value			
At 31 December	5,400	105	5,505
At 1 January	4,200	128	4,328

All tangible fixed assets are held for continuing use in the Foundation's activities. The depreciated historic cost of the leasehold property is £1,187k. The lease expires on 24 December 2084 and was revalued on 10 December 2014 by Farebrother, Chartered Surveyors.

6. Investments

a) Investments at market value

	2014	2013
	£000s	£000s
Market value at 1 January	275,357	244,802
Net disinvestment from portfolio	(751)	(6,249)
Realised and unrealised gains/(losses)	32,840	36,804
Market value at 31 December	307,446	275,357
Historic cost of listed investments at 31 December	238,280	225,719

b) Disposition of investments

	2014	2013
	£000s	£000s
Listed equities	191,286	172,444
Fixed income	36,639	30,331
Private equity	75,470	66,011
Currency hedging	(1,700)	2,344
Cash	5,751	4,227
TOTAL	307,446	275,357
Total UK investments	141,735	71,323
Total overseas investments	165,711	204,034
TOTAL	307,446	275,357

c) Income from investments

	2014	2013
	£000s	£000s
Global equities	3,615	2,737
UK government bonds	990	925
Private equity	1,115	808
Cash	1	-
	5,721	4,470

d) Illiquid assets and investment commitments

At the year end the Foundation had undrawn commitments to private equity funds of £19,399,611 which are expected to be called at various dates between 2015 and 2025. Over a similar period the current investments in private equity funds are expected to be realised by a return of capital. The carrying value of the private equity investments of £75,470,086 reported above represents the latest valuations of the funds at or prior to 31 December 2014 as provided by the relevant fund managers. However, it is not possible for the Trustees to liquidate these investments prior to the future return of capital.

e) Currency hedging

At 31 December 2014 the charity had open forward exchange contracts to sell US dollars, Yen and Euros with a total sterling value of £66,721,953. The settlement date for all of these contracts was 18 March 2015. These contracts were entered into to reduce the

charity's currency risk arising from global diversification in its investment holdings. The forward exchange contracts have all been revalued at the applicable year end exchange rates and the resulting unrealised translation losses are included within the overall value of the equity investments above.

f) Investments over 5% of the portfolio

	2014	2013
	£000s	£000s
Veritas Global Equity Fund	45,701	41,094

g) Programme related investments

The Foundation holds 100,000 £1 Ordinary Shares in Charity Bank Ltd., a company with a mission to tackle marginalisation, social injustice and exclusion and facilitate social change through investment.

7. Debtors and prepayments

	2014	2013
	£000s	£000s
Accrued income	538	432
Other debtors	6,575	9,150
	7,113	9,582

Debtors due after one year amounted to £4,634k (2013: £6,340k).

8. Grants payable

a) Grants payable

	2014	2013
	£000s	£000s
Grants awarded but not paid at 1 January	28,835	10,229
Grants awarded in the year	6,475	24,028
Grants cancelled in the year	(917)	(357)
Grants paid in the year	(4,924)	(5,065)
Grants awarded but not paid at 31 December	29,469	28,835
Payable within one year	15,974	4,290
Payable after one year	13,495	24,545
	29,469	28,835

b) Analysis of grants awarded

	2014	2013
	£000s	£000s
Awarded to individuals	–	–
Awarded to institutions	6,475	24,028
	6,475	24,028

Five largest contributions

	2014
	£000s
University of Leeds	719
Coventry University	558
University of Essex	512
Institute of Education	431
University of East Anglia	414

9. Creditors: amounts falling due within one year

	2014	2013
	£000s	£000s
Income Tax and National Insurance	52	51
Accruals	339	263
Other creditors	116	150
Deferred income	158	134
	665	598

10. Statement of total return

Calculation of total return

	Permanent endowments	Expendable endowments	Total
	£000s	£000s	£000s
Investment return			
Investment income	230	5,491	5,721
Capital gains/(losses):	1,323	31,517	32,840
Investments			
Investment management costs	(67)	(1,591)	(1,658)
Fixed assets capital gains	–	1,175	1,175
TOTAL RETURN FOR YEAR	1,486	36,592	38,078
Less application of return	(438)	(10,434)	(10,872)
Net total return for the year	1,048	26,158	27,206
Unapplied total return			
at 1 January 2014	2,999	71,245	74,244
At 31 December 2014	4,047	97,403	101,450
'Preserved value' at 31 December 2003	7,581	180,730	188,311

The 'preserved value' (the unapplied total return) was set by Trustees based on the value of the endowment at 31 December 2003

11. Funds

a) Description of funds

- The Elizabeth Nuffield Educational Fund was a gift from the wife of Lord Nuffield for the advancement of education and in particular the award of scholarships, grants or loans to women and girls who require financial assistance. It is used to fund the Education grant programme. Unspent income is restricted to this purpose.
- The Commonwealth Relations Trust was created for the purposes of promoting a common understanding between the unity of ideals in the United Kingdom and the other members of the British Commonwealth of Nations. It is used to fund the Africa programme. Unspent income is restricted to this purpose.
- The Oliver Bird Fund was given by Captain Bird for research into the prevention and cure of rheumatism. It is used to fund the Rheumatism grant programme. Unspent income is restricted to this purpose.
- The Main Fund includes Lord Nuffield's original endowment and the Auxiliary Fund, together with a number of subsequent gifts including the Ada Newitt bequest and the Albert Leslie Stewart Bequest (both subsumed into this fund in 2003). This fund was known as the 'Auxiliary Fund' prior to 2004; the change was made following the modification of the Trust Deed in 2003.
- The 'expenditure reserve' is referred to in the total return order made by the Charity Commission as the 'Trust for Application (income)'. It is that part of the Foundation's net assets that the Trustees have determined is available for future expenditure.

b) Fund movements

	Balance at 1 January 2014	Movement in resources				Balance at 31 December 2014
		Incoming resources	Outgoing resources	Unrealised gain	Transfers	
	£000s	£000s	£000s	£000s	£000s	£000s
Capital funds						
Endowments						
Permanent endowment						
Elizabeth Nuffield Fund	2,272	49	(14)	284	(94)	2,497
Commonwealth Relations Trust	8,308	181	(53)	1,039	(344)	9,131
	10,580	230	(67)	1,323	(438)	11,628
Expendable endowments						
Oliver Bird Fund	16,843	–	(106)	2,106	(330)	18,513
Main Fund	236,454	–	(1,485)	30,586	(4,612)	260,943
	253,297	–	(1,591)	32,692	(4,942)	279,456
TOTAL ENDOWED FUNDS	263,877	230	(1,658)	34,015	(5,380)	291,084
Expenditure reserve						
Restricted funds						
Elizabeth Nuffield Fund	–	–	(94)	–	94	–
Commonwealth Relations Trust	(630)	–	(25)	–	344	(311)
Oliver Bird Fund	(165)	367	(114)	–	330	418
Q-Step	–	–	–	–	–	–
Other Restricted Funds	–	631	(631)	–	–	–
	(795)	998	(864)	–	768	107
Unrestricted funds						
Designated funds						
Q-Step	(6,056)	–	(64)	–	1,250	(4,870)
Nuffield Council on Bioethics	–	7	–	–	(7)	–
General Fund	3,976	5,203	(8,378)	–	3,369	4,170
	(2,080)	5,210	(8,442)	–	4,612	(700)
Total Expenditure Reserve	(2,875)	6,208	(9,306)	–	5,380	(593)
TOTAL FUNDS	261,002	6,438	(10,964)	34,015	–	290,491

The total return distribution for 2014 of £10,872k (see note 10) is made up of £5,491k of investment income from expendable endowments, £230k of investment income from permanent endowments and £5,151k of capital transferred to income.

c) Analysis of funds

	Unrestricted funds	Restricted funds	Expendable endowment	Permanent endowment	Total
	£000s	£000s	£000s	£000s	£000s
Investments	–	–	295,818	11,628	307,446
Other fixed assets	–	–	5,605	–	5,605
Net current assets (liabilities)	(700)	107	(8,472)	–	(9,065)
Liabilities due in over one year	–	–	(13,495)	–	(13,495)
TOTAL FUNDS	(700)	107	279,456	11,628	290,491

12. Related party transactions

During the year grants worth in total £291k were made to the IFS. Professor James Banks, a Trustee, is the Deputy Research Director at the IFS so is a related party to these transactions. A grant of £233k was made to Dr Gail Gilchrist of the National Addiction Centre, Institute of Psychiatry and a grant of £36k was made to Professor Robert Plomin of the Social, Genetic and Developmental Psychiatry Centre at the Institute of Psychiatry. Professor Terrie Moffitt, a Trustee, is a Professor at the Institute of Psychiatry and so is a related party to both transactions.

Neither Trustee took any part in the Foundation's decision-making, nor was involved in any way in the handling of the relevant applications. The Trustees as a body recognise the importance of wide and open disclosure of conflicts of interest, which they interpret more broadly than definitions of related party transactions.

Each Trustee is entitled to an annual allowance by virtue of the provisions of the Trust Deed. During the year this was £9,938 per annum. During the year six Trustees claimed re-imbursment of travel and subsistence expenses (2013: 3).

Summary of financial objectives and investment strategy

Objectives

1. Financial objective

- 1.1 To maintain (at least) the Foundation's endowment in real terms.
- 1.2 To produce a consistent and sustainable amount for expenditure.
- 1.3 To deliver 1.1) and 1.2) within acceptable levels of risk.

2. Capital maintenance

- 2.1 The Foundation seeks to protect its endowment from its current experience of inflation (based on 2/3 Average Earnings Index and 1/3 Retail Price Index).
- 2.2 The Foundation's composite inflation index is applied to the endowment value of £188,310k (the value on 31 December 2003).

3. Distribution rate

- 3.1 In 2014 the Foundation will distribute 4.5% of the average of the previous twelve quarter market values (at 30 June 2013). From 2015 and thenceforth it will increase this sum by its experience of inflation.
- 3.2 Where market values lie outside the indexed base value with an allowance for volatility (+/- 16%) a review of distribution rates will be triggered.

Investment principles

4. Decision-making and governance

- 4.1 The Investment Committee is responsible to the Trustees for investment decisions. It includes three Trustee members and two independent investment professionals as advisors (who serve for three year terms). The committee is supported by staff of the Foundation. It is advised by investment consultants (appointed by Trustees).
- 4.2 The committee appoints investment managers (and terminates their appointments), recommends to Trustees strategic asset allocations and reviews investment performance.
- 4.3 Investment management is delegated to authorised commercial discretionary managers, properly licensed by the FSA, whose mandates are reviewed regularly.

5. Investment objective

- 5.1 The Foundation requires a diversified portfolio which will provide the best return for an agreed measure of risk and liquidity.

6. Ethical and other restrictions

- 6.1 Prohibitions on segregated investment in tobacco companies (equity or bonds).
- 6.2 No stock lending.

7. Asset allocation and ranges

Asset class	Target	Range
<i>Real assets</i>		
Global equities	70%	
Private assets	20%	
<i>Total Real assets</i>	90%	
Nominal assets	10%	8%–12%
TOTAL ASSETS	100%	

8. Principal benchmarks

- 8.1 Principal measurement is against the Index of Capital Maintenance (see 2 above).
- 8.2 Investment performance will be assessed against total returns relative to a composite benchmark based on asset allocation at the beginning of each period.
- 8.3 Performance is also compared to the WM Charities Unconstrained Index.
- 8.4 Individual manager benchmarks are set out below.

9. Manager structure and benchmarks

Asset class	Manager
Real assets	
Global equities	Aberdeen, Acadian, Harding Loevner, Longview, Objective Completion, Veritas
Private assets	Various illiquid funds

Nominal assets	
Fixed interest	Objective Completion
Custodian	Northern Trust

Asset class	Benchmark	Target
Total equities	MSCI WI	+ 2%
Private assets	MSCI ACWI	+ 3%
Fixed interest	5–15yr ML Gilt index	–

10. Performance assessment

10.1 Performance is assessed in £GBP on rolling twelve quarter periods.

10.2 Performance targets are net of fees.

Effective from 1 April 2003

Last revision: 2014.

