



Report and Financial Statements 2012



Contents

Reference and administrative details.....	3
Chairman's Foreword.....	4
Trustees' Report.....	7
Objectives and activities for the public benefit.....	7
Our work in 2012.....	8
Achievements, performance and future plans.....	11
Social policy.....	11
Education.....	17
Capacity building.....	20
Nuffield Council on Bioethics.....	23
Structure, governance and management.....	24
The Trust Deed.....	24
Trustees.....	24
Risk management statement.....	25
Statement of grant-making policy.....	25
Financial review.....	26
Investment management and governance.....	27
Accounting for total returns and reserves policy.....	27
Statement of Trustees' responsibilities.....	29
Independent Auditor's report.....	30
Financial statements.....	31
Statement of financial activities.....	31
Balance sheet.....	32
Cash flow statement.....	33
Notes to the financial statements.....	34
Grants awarded during 2012.....	43
Summary of financial objectives and investment strategy.....	49
Ten-year financial history.....	50

Reference and administrative details

Trustees

Professor David Rhind CBE, DSc, FRS, Hon FBA (Chair)
Professor James Banks MSc, PhD (appointed 1 January 2013)
Dr Colette Bowe MSc, PhD
Sir Andrew Dilnot CBE, MA (resigned 31 March 2012)
The Lord Krebs Kt, MA, DPhil, FRS, FMedSci
Professor Terrie Moffitt MA, PhD, FBA, FMedSci
Professor Genevra Richardson CBE, LLB, LLM, FBA
Professor Sir David Watson MA, PhD

Senior staff

Sharon Witherspoon MBE, Director (from July 2012)
Anthony Tomei CBE, Director (until June 2012)
James Brooke Turner, Finance Director
Josh Hillman, Director of Education
Teresa Williams, Director of Social Research and Policy (from October 2012)

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Chairman's Foreword

As this report shows, 2012 saw many changes at the Foundation, both in personnel and in policy. First, there have been changes to the Board of Trustees. In March 2012, Andrew Dilnot stepped down as Trustee, following his assumption of the Chairmanship of the UK Statistics Authority. Although Andrew only served as a Trustee for three years, he made a considerable contribution to the Foundation, not least in encouraging the changes in our capacity-building programmes for the social sciences, which led to the development of our new programme designed to promote a step-change in the quantitative methods training for social scientists. Trustees were pleased to learn that he had been awarded a knighthood in the Queen's Birthday Honours List.

My fellow Trustees and I were delighted to appoint Professor James Banks to the Board of Trustees, a position he took up on the 1 January 2013. James is Professor of Economics at the University of Manchester and Deputy Research Director at the Institute for Fiscal Studies (IFS). He is also Co-Principal Investigator of the English Longitudinal Study of Ageing and Co-Director of the Economic and Social Research Council (ESRC) Centre for the Microeconomic Analysis of Public Policy. In addition to his other duties, James will sit on the Foundation's Investment Committee, which is responsible for devising and delivering our investment strategy. In making this appointment, we were mindful of the potential for conflicts of interest, given the number of grants that we make to IFS, and have taken steps to ensure that James plays no part in any discussions involving applications from the IFS, which will continue to be subject to the same tough scrutiny as all applications we consider.

I am pleased that former Trustee Dr Peter Doyle has agreed to continue as Trustees' Adviser for the Oliver Bird Rheumatism Programme during the final two years of the current scheme. Peter also continued to serve as a highly-valued member of our Investment Committee until March 2013. We are immensely grateful to him for his wise counsel.

Last year I announced the retirement of Anthony Tomei as Director. Anthony served as Director from 1995 until June 2012. This report gives a short appreciation of his contribution during his tenure. All his former colleagues were delighted when – just as we finished this report – he was awarded a CBE in the Birthday Honours List. We are grateful to Anthony and wish him well in his new endeavours, which include a visiting Professorship in the Department of Education at King's College London and Trusteeship of the Bell Foundation.

Following a thorough recruitment process aided by external consultants, Trustees appointed Sharon Witherspoon, formerly the Foundation's Director of Social Research and Policy, as the new Director. This left a vacancy on our senior management team. Following an open recruitment process also aided by external consultants, we were pleased to appoint Teresa Williams as our new Director of Social Research and Policy. Teresa was previously Head of Access to Justice Analytical Services and Chief Researcher at the Ministry of Justice, and has over twenty years' experience in social research in independent research institutes and central government. She will lead our grant programmes on Children and Families and Law in Society.

In addition to these changes in personnel, 2012 also saw the completion of Trustees' strategic review. This review began in May 2011 and saw us consider all our activities in the

light of both our scale and our determination to achieve maximum public benefit. This has resulted in some fundamental changes in *what* we do, though not why we do it. We retain our commitment to the use of research and practical innovation to bring about beneficial social change in education, especially science and mathematics education, and in particular areas of social policy. We will also continue to work to build capacity in those areas. Further details are given in the body of this report, but the review exemplified the rigorous thinking the Foundation applies to its own work, as well as to its grant-making.

Expenditure

This year we have spent £10.1 million, less than our anticipated budget of £12.8 million (both including investment costs). While there are various reasons for this, by far the largest was the delay in the launch of our new Quantitative Methods (QM) Programme, aimed at undergraduate social sciences. That delay was occasioned by the happy news that both the ESRC and the Higher Education Funding Council for England (HEFCE) would join us as significant partners, each contributing £5m over five years. At £15.5m, the QM Programme is by some margin the largest programme we have launched for many years, and we were happy to delay the programme to accommodate its enlargement. More information on the QM Programme is provided on page 21 of this report, and a review of our expenditure can be found in the Financial Review on page 26.

The value of collaboration

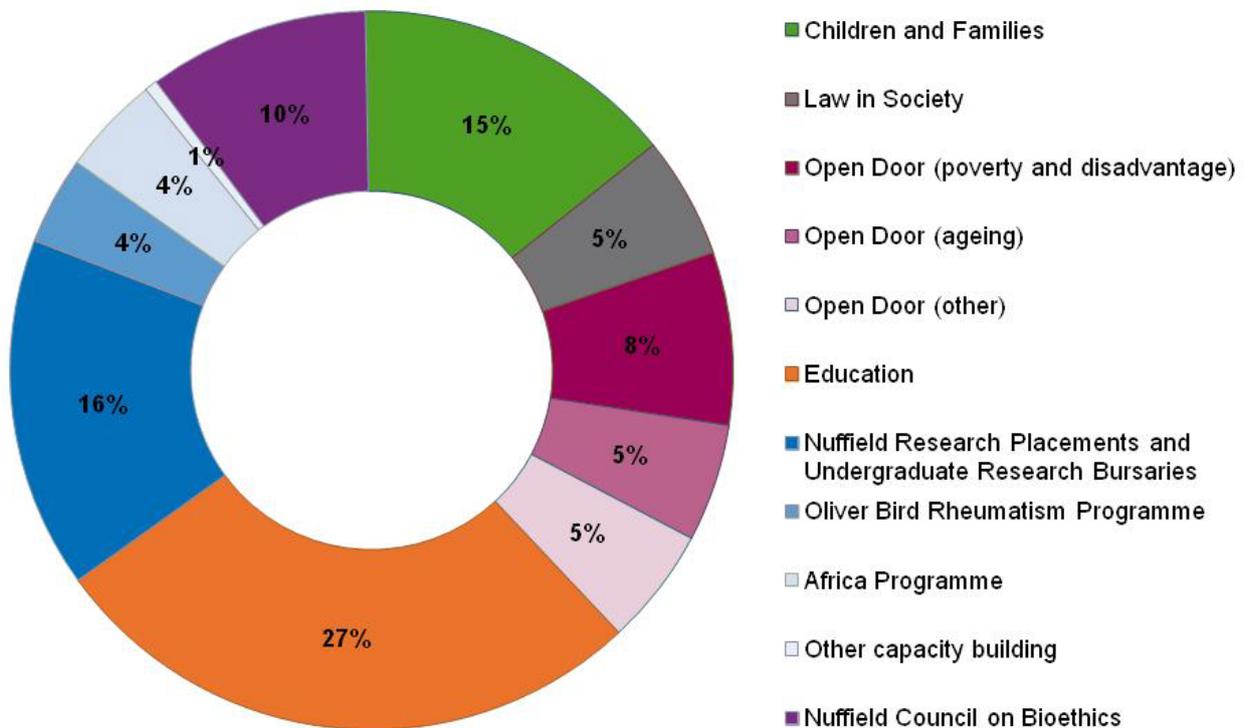
As ever, I am grateful to my fellow Trustees and to Foundation staff for their dedication and hard work throughout the year. In addition, we owe our thanks to the many people outside the organisation who work with us to deliver our programmes. There are too many to name individually, but our thanks are due to all our grant-holders, to every referee who has taken the time to review a funding application, to all those who have participated in our seminars and advisory groups, and to the 250 or so organisations that provide Nuffield Research Placements. This year we are particularly grateful to the ESRC and HEFCE for their substantial support for the QM Programme. We look forward to maintaining these partnerships and forging new ones in 2013.



Professor David Rhind
Chairman

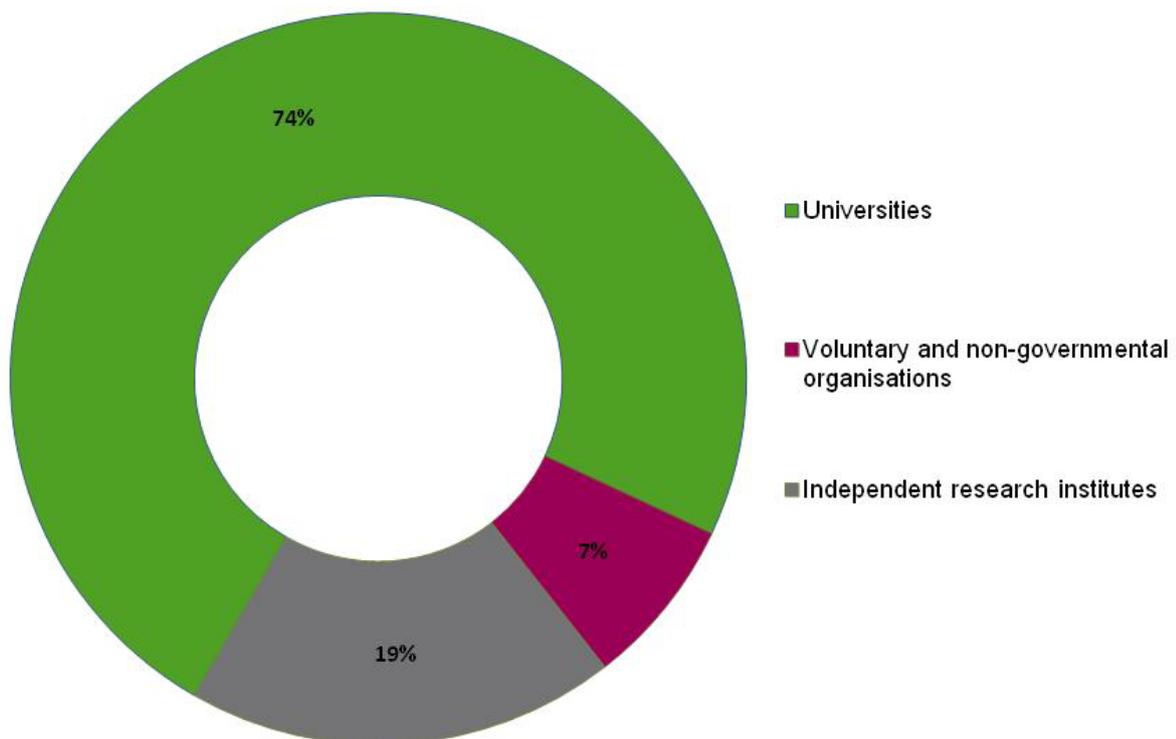
Our grant-making in 2012

Charitable expenditure 2012*



*Excluding cancelled grants and central costs

'Project grant**' funding 2012: primary applicants



**Grants in Children and Families, Law in Society, Open Door, and Education, by primary applicants; does not include other collaborating institutions.

Trustees' Report

Objectives and activities for public benefit

Lord Nuffield established the Foundation to contribute to improvements in society, including the expansion of education and the alleviation of disadvantage. He called this the 'advancement of social well-being', and emphasised the importance of education, training and research in achieving that goal.

Our objectives are to:

- Improve social well-being by funding research and innovation in education and social policy.
- Increase the availability and quality of research and professional skills – both in science and social sciences – through our capacity building programmes.

We have referred to the Charity Commission's general guidance on public benefit when reviewing the Foundation's aims and objectives and in planning future activities and grant-making policies. We 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 our priority areas: education, children and families, and law. We also fund exceptional projects outside these areas, predominantly in relation to poverty and disadvantage and to the finances of ageing, through our Open Door Programme. All the projects we fund must have the potential to improve policy and practice in the short or medium term.
- Funding capacity-building programmes related to our areas of interest. This includes: a new programme designed to promote a step-change in quantitative methods training for UK social science undergraduates; funding STEM (Science, Technology, Engineering and Maths) research placements for school and college students and undergraduates; and funding postgraduate centres to develop a cohort of outstanding young research scientists in rheumatic disease through our Oliver Bird Rheumatism Programme.
- Maximising the impact of the work we fund by supporting grant-holders past and present in their efforts to disseminate their work to achieve policy or practical impact. This includes hosting meetings and seminars at the Foundation and identifying opportunities to present the work we fund to the right people at the right time. In 2012, we hosted 200 events at the Foundation, relating to all areas of our work.

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.

Our work in 2012

2012 was a year of substantial change for the Foundation, following a strategic review of all our activities. The review began at the Trustees' annual policy meeting in May 2011 and reached further conclusions in May 2012. Throughout, our aim was to build on our strengths but not rest on our laurels; we wanted to increase our impact and our pump-priming ability. Key considerations included:

- Our scale and focus. We agreed there is a need to concentrate more resources in our areas of special interest if we are to stimulate new intellectual agendas and fund evidence or practical innovation capable of triggering institutional change. In addition to reviewing our own activities, we examined our place within the broader context, both in relation to other funders, and also in light of significant changes in the relevant external landscapes. Our concern about scale was particularly relevant to our programmes in Africa and in-house curricular development, given changes to government policy and to educational publishing. We also asked ourselves whether we could more actively leverage external funding, or funding partnerships, for larger programmes, which might affect the prospects for longer-term or larger-scale change.
- The need for new strategic initiatives which might be developed over the next couple of years. We recognise that some of our strength as a Foundation rests on the fact that many of our fundamental interests have remained unchanged for several years, although what we fund and how we work may change. But we believe that the development of new interests and initiatives is also an important role for an independent foundation.

We made a number of decisions following the review, which were communicated to stakeholders and the wider public over the year. In summary, we reaffirmed our interests in:

- Education, including early years learning and its importance for educational outcomes and other social and family benefits, and science and maths education. We are particularly interested in mathematics education, and agreed our work in this area should aim to deepen and broaden skills of all students, including those not studying STEM subjects.
- Children and families, with a particular focus on policy and institutional change.
- Law in society (excluding criminal law), where capacity for empirical research remains a concern.
- The finances of ageing, and poverty and disadvantage, two areas often funded through our Open Door Programme.

But we also made some difficult decisions.

After careful consideration, we decided to end our in-house projects in curricular development. We are proud of the curriculum development funded by the Foundation over

the years, primarily in science and mathematics, but also in other subjects such as modern languages and history. However, after reviewing the challenges posed by changing policies on national curricula and the changes in educational publishing, we decided that the Foundation's funds would be better spent in stimulating external projects that might set a longer-term agenda in science and mathematics education, rather than in having an in-house team. We are grateful to all staff and many others who have worked on curriculum projects over the years, and will ensure that our current teaching and learning resources continue to be widely and easily accessible.

A second decision concerned our Africa Programme. Over many years, it has invested in UK/Africa partnerships to increase research and professional skills in southern and eastern Africa, predominantly in science and healthcare. Funding comes from the Commonwealth Relations Trust, a restricted purpose subsidiary trust of the Foundation, but has been substantially augmented by funds from the Foundation. However, even with the additional funds, we were concerned that the scheme was spread too thinly. In light of this, we decided to conduct a more fundamental review of how best to deploy the restricted fund, which generates about £250k a year and will conclude that late in 2013 or early in 2014.

The strategic review and other developments over the year affected our expenditure. In 2012, we spent £10.1 million, significantly less than our budgeted spend of £12.8 million. More information about the reasons for this can be found in the Financial Review on page 26.

Other changes at the Foundation in 2012 related to new Trustees and senior staff, as noted in the Chairman's Foreword. A particularly significant change was that 2012 saw the retirement, after 35 years at the Foundation and 17 as Director, of Anthony Tomei (see text box overleaf).

Sector expertise

We are always keen to support work aimed at improving the practice of philanthropic foundations. In 2012, we convened and led a group of foundations which commissioned a report into principles for the management of charitable foundations, *The Governance & Financial Management of Endowed Charitable Foundations*. Using interviews and case studies, the report shows how different organisations might apply these principles to get best value for their charitable aims.

The author of that report, Richard Jenkins, concludes that foundations are thinking independently and creatively about financial management, but that tackling common misconceptions - for example that Trustees have to defer to industry specialists or that boards must in all circumstances preserve the endowment - could enable them to do even better. The report, published by the Association of Charitable Foundations (ACF), has been influential, and the investment house Schroders has commissioned a follow-up.

Anthony Tomei

Anthony was first appointed in 1977 as Research Grants Officer, having previously worked as a physics teacher. Four years later he was appointed Assistant Director with responsibility for the Foundation's work in education and science. One of his key achievements from this time was brokering support for integrated education in Northern Ireland. Beginning with a grant of £45,000 to an integrated primary school in 1985, the Foundation awarded £1.5 million in grants and interest-free loans to support integrated schools over the next five years. Anthony not only led the Foundation's work in this area, but was also instrumental in encouraging other trusts and foundations to add their support, his efforts culminating in the establishment of a permanent fund to promote further development.

Appointed Director of the Foundation in 1995, Anthony led the development of several programmes in science and education, including the Oliver Bird Rheumatism Programme, Nuffield Research Placements (formerly Nuffield Science Bursaries), and the Nuffield Languages Inquiry. He was particularly skilled at identifying opportunities for the Foundation to use its relatively small resources to make a difference, for example by commissioning the *Beyond 2000* report, which set the agenda for a new kind of science education designed to meet the needs of all young people, not only those who would go on to become scientists. Under Anthony's leadership, the Foundation was a key partner in the development of *Twenty First Century Science*, a suite of GCSE science courses designed to embody the approach recommended in *Beyond 2000* and at one point used in over a third of schools in England.

In more recent years, Anthony helped develop the Foundation's current focus on mathematics education, identifying the need for more evidence on policy and provision in the UK in comparison to other countries. This led, amongst other things, to the influential *Is the UK an outlier?* report, frequently cited as evidence for the need for reform in this area.

Anthony was also an active participant in the Hague Club of European foundations, and a supporter of the Association of Charitable Foundations. He believed in the importance of collaboration and sharing expertise, not only in relation to grant-making, but also in the investment challenges of managing an endowed trust. He played a significant role in developing the Foundation's current investment strategy.

At his retirement, Trustees and colleagues paid tribute to Anthony, particularly his good humour, his integrity, and his ability to ask the right questions. We are delighted that Anthony is continuing his work in science education, not least in his new roles as Visiting Professor in the Department of Education at King's College London and a Trustee of the Bell Foundation, and we wish him well for the future. We were particularly pleased to learn, just as this report was going to press, that he was awarded a CBE in recognition of his contribution to Education.

Achievements, performance and future plans

In this report, we highlight two sides of our work: the grants we have made during the year, and the outcomes of selected grants several months or years down the line. This reflects the fact that a project's potential impact to bring beneficial social or institutional change is a key consideration in whether or not we will fund it. Similarly, there are often lessons to be learned by reflecting on and evaluating the impact of past grants.

Of course, not all projects have the impact we would like. Legislative or policy changes can affect the relevance of a project while it is underway, or findings may not lead to clear conclusions. And consideration of good evidence is far from the only factor in public policy-making or practical change. We are also aware that some grants simply do not achieve what is hoped. But while there are without doubt challenges, we remain committed to the belief that independent and rigorous evidence can influence policy and practice for public good. That is one of our core values and it underpins all our activities.

A full list of all grants made during 2012 can be found on page 43.

Social Policy

The aim of our work in social policy is to bring about positive change in society by critical examination of, and innovation in, the institutions, laws and social policies that influence our lives.

Through our **Children and Families** programme we support work to help ensure that the laws and institutions relating to family life in the UK are operating in the best interests of children and families. Our work in this area has included early years childcare, the legal provisions for children following parental divorce and separation, and various aspects of the child protection system and involvement of children in legal proceedings. We are interested in both policy and practice across a range of child welfare issues but always with an emphasis on what institutional changes might promote better outcomes.

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 also have a special interest in administrative law. The highlights here include a rare grant made for a project in criminal law.

Through our **Open Door** programme, we fund proposals of exceptional merit that lie outside our main programme areas but that meet our wider interest in social well-being. This includes an explicit interest in poverty and disadvantage, and the financial aspects of ageing such as pensions and social care ('the care and comfort of the aged poor' being one of the objects set out in our Trust Deed). These areas will be expanded in future years.

Children and Families

Childcare

Two childcare projects reported in March; the first was a synthesis and critical review of the evidence available on the role of informal childcare, and the second was an investigation of the different measures of quality applied in nurseries and pre-schools.

The use of informal childcare has risen in the last 15 years, even as the use of formal care (in nurseries and pre-schools) has also increased. The researchers found that flexibility and cost were significant factors in the use of informal care, and that it was most often used as a bridge between formal and family care. At age three, there is some evidence that children from more advantaged families cared for mainly by their grandparents had better vocabulary and social development than those in formal care, but this was not true of children from disadvantaged families. These small associations have usually disappeared by age five. The research was undertaken by Bryson Purdon Social Research, the Institute of Fiscal Studies (IFS) and the National Centre for Social Research (NatCen) and funded with a grant of £74,664 in 2009. The findings have since been cited by several reports into the outcomes of early years provision.

The main finding from the second project was that Ofsted ratings are too broad to provide a true measure of quality in early years childcare settings and are best used alongside other assessments with better measures of developmental outcomes. The project team of researchers from the University of Oxford, A+ Education and the Daycare Trust recommended that local authorities use a range of indicators when allocating funding for provision of free childcare, particularly as government policy would extend this to 40% of two- year-olds by 2014. Ofsted and others have discussed the implications of this for the inspection of early years care.

Young witnesses

In the last few years we have funded a cluster of projects to improve the treatment of child witnesses in courts, many of whom are also victims. In 2011 we published *Young witnesses in criminal proceedings: a progress report on Measuring up?* and have since awarded a grant of £20,300 to one of the report's authors, Joyce Plotnikoff, to coordinate the development of a toolkit designed to ensure that questioning of child witnesses follows official guidelines. The Advocates Training Council, the Judicial College and others will now set up an 'Advocates Gateway' to spread the training materials further, and judges and the Bar will be directed to refer to it for the management of cases involving children.

In June, *Children and Cross Examination* was published by Hart. Co-edited by Professor Michael Lamb at the University of Cambridge, the book brings together international evidence on interviewing children in forensic contexts and was stimulated by a conference funded by the Foundation in 2011. Some of the evidence featured in the book comes from Professor Lamb's own work on interviewing, also funded by the Foundation, which found that emphasising empathetic rapport-building significantly increased the willingness of children to disclose abuse perpetrated by family members. We have since awarded a new grant to Professor Lamb for a five-year follow-up project. We are providing £339,183 towards the project, which is co-funded by the Jacobs Foundation.

Contact following parental separation

In November, the Sussex Law School published *Taking a Longer View of Contact*, a study based on the recollections of a sample of young adults whose parents had separated when they were children. The study was led by Professor Jane Fortin of the University of Sussex and funded by a grant of £153,772. The aim was to augment the substantial literature on objective outcomes with the reflective views of young adults about what had made various contact arrangements easier or more difficult for them to manage. The study found that a crucial factor in the success of post-separation contact was the pre-separation relationship between the child and the (future) non-resident parent. Where this had been good, contact was usually valued. When it was poor, contact was rarely beneficial and was sometimes damaging.

The findings are timely given the government's inclusion of a presumption of shared parenting in the Children and Families Bill, currently before Parliament. A summary of Professor Fortin's research has been provided to all MPs, and was referred to in both the Justice Committee's report of the pre-legislative scrutiny of the Bill, and its second reading in the House of Commons.

New Children and Families grants in 2012 – highlights

- Professor Stephen Scott from King's College London was awarded £116,808 for a follow-up study to compare the progress of 215 children from disadvantaged backgrounds whose parents received one of four parenting interventions. His team will examine whether early effects have persisted and whether the interventions have been equally effective for all groups.
- We have awarded a grant of £68,129 to Graeme Cooke from the Institute for Public Policy Research (IPPR) to analyse the link between childcare and key social and economic goals such as maternal employment and child outcomes. His project will include a comparative study of childcare provision in OECD countries, a literature review, and modelling to test potential impact of several childcare policy options.
- Professor Liz Trinder's project aims to improve knowledge about the enforcement of post-separation Contact Orders where courts are involved, specifically how and why the courts respond to enforcement applications and the perceived effectiveness of current and future powers. Based at the University of Exeter, Professor Trinder received a grant of £60,731 for the project.

Changing Adolescence Programme

In March, we published the final findings from our Changing Adolescence Programme. This programme was established in 2005 in response to Foundation-funded research that showed a significant increase in young people's emotional and behavioural problems between 1975 and 1999. The programme examined the reasons for this increase and aimed

to shed light on how the lives of young people have changed over the last 30-40 years. It consisted of a series of research reviews looking at time trends in various aspects of teenage life such as parental relationships, time use, substance misuse, school experience, stress, and neighbourhoods.

The full findings were published in a book, *Changing Adolescence: social trends and mental health*, edited by the Programme Head, Dr Ann Hagell, and published by Policy Press. Alongside the book, the Foundation published a summary briefing paper and held a policy seminar, which was well attended by civil servants and key voluntary sector organisations. Further plans for dissemination are underway, including a possible follow-up seminar in 2013 to identify themes for future exploration. We will then review the impact of the work, possibly alongside that of the Nuffield Review of 14-19 Education and Training, which reported in 2009.

Law in Society

Public opinion on life sentencing for murder

In 2011, we published Professor Barry Mitchell and Professor Julian Roberts' research into public opinion of sentencing for murder, a rare grant made in criminal justice. The research found there is not widespread public support for automatically sentencing all convicted murderers to life imprisonment, and that much depended on the distinctions that would be relevant if there were 'degrees' of murder. The study has since been cited by the Homicide Review Advisory Group in its report on the failure of successive governments to take forward the Law Commission's recommendations to end mandatory life sentences for murder. In October, the research was published by Hart in a volume entitled *Exploring the Mandatory Life Sentence for Murder*.

Administrative justice

August saw the publication of *Designing redress: a study about grievances against public bodies* by Varda Bondy from the Public Law Project and Professor Andrew Le Sueur of Queen Mary University of London. Funded by a grant of £126,736 in 2008, this project examined how different forms of redress work to resolve disputes between citizens and public authorities. The authors propose a set of principles for designing redress mechanisms and measuring their success (or otherwise). We brought together key stakeholders for the report's launch in December, where it was announced that the Public Law Project was one of the winners of the Guardian Charity Awards 2012.

New Law in Society grants in 2012 – highlights

- We have awarded a grant of £124,979 to Professor Paul Fenn for his study of trends in clinical negligence claims and the role of funding mechanisms in determining who makes these claims, their type and outcome. Findings will be relevant to the implementation of government reforms to civil litigation costs, including the removal of legal aid from clinical negligence claimants.
- Colm O’Cinneide from University College London was awarded £88,163 for a project to produce practical guidance to those charged with considering, planning, or implementing the integration of national equality bodies and national human rights bodies (as the UK did with the establishment of the Equality and Human Rights Commission).
- Justine Stefanelli from the Bingham Centre for the Rule of Law was awarded £67,458 to lead a project to consider the challenges of immigration detention and the appropriate rule of law standards. She will produce a set of guidelines, and publish a report drawing together existing materials, principles and proposals.

Open Door

Dementia: autonomy and decision-making

We were pleased to see two outputs from Alzheimer Scotland’s project to improve practice related to ‘lay proxies’, appointed under incapacity laws to make decisions on behalf of people with dementia. Funded by a grant of £70,589, Jan Killeen (then Director of Policy at Alzheimer Scotland) led the study, which concluded that lay proxies are not given sufficient information, advice and support. In the research summary published in September, Alzheimer Scotland made a series of recommendations, including the development of a national programme of easily accessible, low cost education programmes for lay proxies. The findings informed the development of a new guide, *Dementia: making decisions*, which provides practical advice and information for lay proxies, launched by Scotland’s Deputy First Minister Nicola Sturgeon in June.

Public sector pensions

The Pensions Policy Institute (PPI) published its report on public sector pension reform in October 2012, funded by a grant of £76,200 from the Foundation. Researchers undertook an independent assessment of the Government’s proposed reforms to the main public sector pension schemes and concluded that they will reduce the average value of pension benefits by more than a third. However, even after the Government’s proposed reforms, public sector pensions will still be more valuable than most private sector pensions. Evidence from the report was quoted in the second reading of the Public Sector Pensions Bill in the House of Commons on both sides of the debate.

Constitutional issues

Recommendations from Dr Meg Russell and Meghan Benton's report *Selective Influence*, on Parliamentary select committees, were cited in a report from the Commons Liaison Committee in November. It drew particular attention to their recommendations that select committees should set clearer objectives for inquiries, publish shorter reports and commission independent research. Dr Russell was also a key witness in the Political and Constitutional Reform Committee's current inquiry into the impact of the Wright reforms, which themselves were informed by her 2007 report *The House Rules?*, also funded by the Foundation.

New Open Door grants in 2012 – highlights

- We awarded a grant of £131,010 to the IFS for the preparation and publication of its Green Budget 2013 – a comprehensive and independent assessment of the state of public finances, the key economic questions and various policy options in the run up to the Budget. The IFS Green Budget was published on 6 February 2013.
- Raphael Wittenberg is leading a £218,801 project run by the Personal Social Services Research Unit (LSE) to analyse Health Survey for England (HSE) data from 2011-2013. The aim is to help policy-makers weigh up the merits of reforms to the funding system for care and support of people over 65 against addressing unmet needs, including those of carers, and reforming the nature of care and its delivery.
- Professor John Curtice from the Scottish Centre for Social Research was awarded a grant of £71,128 for a project to examine voter behaviour in the second set of Scottish local elections under the Single Transferable Vote (STV) system. He will focus on whether voters exploit the opportunity to do more than simply cast one vote for one party. The evidence will inform the debate about whether STV should be introduced to the House of Lords.

Education

Our aim is to influence education policy and practice in order to ensure that all young people develop the understanding and skills required to play an informed role in society. We also support the development and progression of young scientists and social scientists.

Current themes of special interest are: **foundations for learning; secondary education transitions; science and mathematics education; and women's education and student parents.**

In May, we celebrated the 50th anniversary of the Foundation's work in science and mathematics education with a reception at the Institution of Civil Engineers. The Foundation began its work in this area in 1962, with the investment of £250,000 towards the cost of a long term development programme to improve science and mathematics teaching.

In 2012 we launched a new funding strand in science education, open to a range of external applicants for innovative ideas for research or practical developments. At the same time, we strengthened our work in mathematics education by widening our call for applications in this area. Grant-making in science and mathematics education is likely to be an area of growth for the next few years.

As our in-house curricular programmes draw to a close, we are working with our stakeholders to ensure that our current teaching and learning resources continue to be widely and easily accessible.

Foundations for learning

Nuffield Early Language Intervention

This year we have continued to work with Professor Margaret Snowling and her team to roll-out their intervention programme designed to improve language and reading skills in pre-school children. The programme was developed with a grant of £240,708 from the Foundation in 2009 and is delivered by teaching assistants. A 30-week trial showed it to be successful at improving children's language skills, including the use of vocabulary and grammar, and letter-sound knowledge and spelling.

We were keen to see more children benefit from the intervention, and have worked with the researchers to license children's communication charity I CAN to market the programme, now called Nuffield Early Language Intervention, and to deliver training to licensed trainers and teaching assistants. In addition, £738,112 has been secured from the Education Endowment Foundation to conduct a randomised controlled trial of the roll-out early in 2013. This will involve 34 schools, and will be independently evaluated by the IFS. If results are promising, we hope that this intervention will be more widely taken up.

Non-native English speakers and pupil performance

In March 2012, the Centre for Economic Performance (CEP) at the LSE reported that the increase in schools of children whose first language is not English has not had a detrimental effect on the educational attainment of native English speakers. The findings are from a study led by Professor Sandra McNally and funded by the Foundation with a grant of £43,823. Professor McNally also found evidence from Catholic schools attended by the children of Polish immigrants that suggests the presence of non-native English speakers might – in some cases at least – have a positive effect on their classmates' results.

Secondary education transitions

Higher education funding and access

Last year we awarded a grant of £149,660 to a project run jointly by the Institute of Education (IoE) and the IFS and designed to inform public policy debate on higher education funding and access. The project will run until autumn 2013, but interim findings were published in 2012. An IFS Working Paper suggested that the best way to widen access is to intervene much earlier than the university admissions stage if we are to enable young people from less advantaged backgrounds to reach their potential.

In November the project's findings on recent trends in the socio-economic background of young people in higher education were presented at a seminar hosted by the Foundation. Early indications are that the gap in higher education participation between those from the richest and poorest families has narrowed over the last decade, although state school students in England who have university-educated parents are still five times more likely to reach higher education than those from disadvantaged backgrounds.

Science education

Primary science assessment

In July, we published *Developing policy, principles and practice in primary school science*, a report setting out a proposed framework for the assessment of science in primary schools. Publication of the framework followed a seminar held at the Foundation in June chaired by Professor Wynne Harlen. A second seminar in September enabled a wider range of stakeholders to provide feedback on the framework, which was also presented at the Association for Science Education (ASE) annual conference in January 2013. Two further workshops will be convened in 2013 to enable teachers to trial the assessment model in schools.

Mathematics education

Mathematics in A level assessments

In April, we published the findings from our project analysing the mathematics embedded in A level Business Studies, Computing, Economics, Geography, Psychology and Sociology. This project complemented a parallel study on the mathematical content of science A levels, undertaken by SCORE (Science Community Representing Education). We found that the extent, difficulty and type of mathematical content varied significantly depending on exam board and student choice of questions but that, in general, low levels of mathematics were promoted, expected or required.

Our recommendation is that subject communities and universities should better delineate the mathematical needs of their subjects and work with awarding bodies and regulators to strengthen the use of quantitative methods across the board. Both our report and the SCORE report were timed to feed into the government review of A levels, and have also informed the Advisory Committee on Mathematics Education's (ACME) proposed strategy for improving provision and participation in post-16 mathematics. One important issue is that this should be done within various curricula, and is not an alternative but complementary to specific mathematic or statistical qualifications.

Influence and impact in mathematics education

In 2009, we published a research review, *Key Understandings in Mathematics Learning*, undertaken by Professors Terezinha Nunes, Peter Bryant, and Anne Watson from the University of Oxford. The review has been influential, not least in its use on teacher training courses both in the UK and internationally. This year, the review has also been used in several mathematics and psychology textbooks, and Professor Watson was invited to be part of the four-strong team responsible for drafting the new primary mathematics curriculum.

In working on the draft curriculum, Professor Watson was also able to draw on her findings from another Nuffield-funded project, *Key ideas in teaching mathematics*, which provides research-based guidance for teaching mathematics to 9-19-year-olds. This project was undertaken jointly with Professor Dave Pratt from the IoE and Keith Jones from the University of Southampton, and funded by a grant of £33,891. Oxford University Press (OUP) has now published *Key ideas in teaching mathematics*, and we have developed an accompanying website to provide links to online resources and activities that exemplify the approaches discussed in the book.

New Education grants in 2012 – highlights

- Professor Robert Plomin from the Institute of Psychiatry at King's College London has been awarded a grant of £117,942 for a study to identify environmental factors that influence achievement, well-being and decision-making during the educational transition at age 16. He will survey a large sample of identical twins in order to identify 100 highly discordant pairs, who will then be interviewed about their differences in experience.
- Professor Dieter Wolke from the University of Warwick has received a grant of £126,645 for his study to quantify the type and severity of learning difficulties experienced by children born prematurely (up to 36 weeks), and in particular to understand the origins and nature of mathematics problems.
- Infants whose parents frequently talk to them about objects in their focus of attention (contingent talk) have much larger vocabularies as toddlers. We have awarded a grant of £194,230 to Dr Danielle Matthews from the University of Sheffield for an intervention study to establish whether contingent talk is a correlate or a cause of better language outcomes, and whether it is possible to promote language growth.

Capacity building

We believe policy and practice should be influenced by independent and rigorous research and reflective practice. We aim to ensure research capability is maintained in the future by funding programmes that develop long-term research and practice capacity in our areas of interest.

These include:

- **Nuffield Research Placements and Undergraduate Research Bursaries** which support the development and progression of young scientists;
- our new programme to promote a step-change in **quantitative methods training** for UK social science undergraduates;
- our **Oliver Bird Rheumatism Programme** to build research capacity in rheumatic disease.
- And our **Africa programme which has** funded a range of projects in eastern and southern Africa.

Nuffield Research Placements (formerly Nuffield Science Bursaries for Schools & Colleges)

Nuffield Research Placements are designed to encourage more young people to choose careers in STEM by providing them with the opportunity to spend their summer holiday working alongside professional scientists, engineers and mathematicians. Students are recruited by a network of regional coordinators, and 1,168 young people undertook a research placement in 2012, the highest number in the history of the programme.

We have recently made a number of changes to the programme to try and increase the proportion of participating students from less well-off backgrounds. This year we issued each of our regional coordinators with a set of two-year targets, based on the proportion and distribution of free school meals in their area. So far we have seen a significant increase in the number of students from schools with relatively high take-up of free school meals, although there remains much regional variation.

We have also changed the structure of the programme so that from 2013 we will reimburse the travel costs for all students, but only students from more disadvantaged backgrounds will receive an additional payment. This ensures we can target financial support to the students who need it most. Following an external review, we expect to make further changes in 2013 to try to bring about institutional change in schools, higher education and work, rather than simply focussing on individual students.

In line with these developments, and to draw attention to the research experience rather than the financial support, we changed the name of the programme from Nuffield Science Bursaries to Nuffield Research Placements.

Undergraduate Research Bursaries

Last year we reported on our decision to transfer responsibility for our undergraduate research bursaries to other organisations providing similar opportunities. This year we established partnerships with seven new organisations to co-fund bursaries, and will do so again for bursaries in 2013, after which our funding will cease.

For 2012 placements, we were the sole funder for chemistry and mathematics, but the Royal Society of Chemistry and the London Mathematical Society will co-fund bursaries in these subjects in 2013. It is likely that all partner organisations will continue to fund awards in subsequent years, a lasting legacy for this programme.

For the third year running we funded undergraduate places at the John Innes Centre (JIC) as part of its larger summer school programme. And for the second year, we funded bursaries at the MRC Clinical Sciences Centre as part of its undergraduate programme. Both of these institutions offered a wide range of extra opportunities for undergraduates, as well as linking them with opportunities for school and college students on Nuffield Research Placements.

Quantitative Methods (QM) Programme

In October 2012 we launched a new programme to promote a step-change in quantitative methods training for UK social science undergraduates. We have developed the programme in partnership with the ESRC and HEFCE, who have each provided funds of £5m as well as contributing ideas to the programme's development.

Our aim with this £15.5 million programme is to promote long-term and sustainable change in how universities teach undergraduates in social science disciplines (other than economics), using quantitative methods and skills to think about disciplinary issues. We also hope to create stronger links between undergraduate and postgraduate training, so that in addition to producing a cohort of quantitatively-skilled undergraduates, more postgraduates might emerge with these skills, which are vital to the health of the disciplines as well as the skills needed in the wider labour market.

We expect to fund to up to 15 specialist centres to provide programmes of quantitative skills training over a period of five years. Applications will be assessed by an international peer review panel, and we expect to announce the successful centres in summer 2013.

We were particularly pleased that the Rt Hon David Willetts MP, Minister for Universities and Science, welcomed the programme, calling it "an important step in ensuring the UK can maintain its high standards of academic research, as well as producing the quantitatively-skilled graduates necessary for a competitive economy."

Oliver Bird Rheumatism Programme

The Oliver Bird Rheumatism Programme was launched in 2003 and has a further two years to run. Its aim is to build research capacity in rheumatic disease by developing a cohort of outstanding young research scientists, and it operates via postgraduate centres of excellence. In 2012, twenty-three students were in training, and ten completed their PhDs

during the year. Four of these have taken up postdoctoral research posts and three of our 2008 alumni have won funding for second postdoctoral posts at Birmingham, Glasgow and UCL. Dr Amy Naylor, who graduated from the programme in 2009, received a Young Investigator Award from the British Society for Rheumatology for her work on the effect of the CD248 gene (endosialin), a membrane receptor found on stromal cells.

In September, the programme's annual conference was hosted by UCL and attended by current students and visiting alumni. The conference included presentations and discussions on topics in rheumatic disease and rheumatoid arthritis biologics, as well as on funding opportunities, careers, getting published and life skills.

Africa Programme

Following our decision to review the programme in line with the resources available, we made one further round of grants in 2012, after which we closed the programme to new applications until the review is complete.

Mental health in resource-poor settings

This year we provided further funding for Professor Rachel Jenkins' work in mental healthcare provision in Kenya. Since 2005, we have committed £520,000 to the development and implementation of a programme that has trained 1,677 primary care workers, as well as 195 medical supervisory staff. A cluster randomised controlled trial of the training programme showed there had been a significant impact on the health, disability and quality of life of patients, despite a severe shortage of medicines in the clinics. Funding from other sources has enabled Professor Jenkins to train health workers in other resource-poor settings, using the curriculum and training materials developed for Kenya.

Neglected tropical diseases

In 2012, the European Foundations Initiative on Neglected Tropical Diseases (EFIND) awarded its third round of fellowships for African postdoctoral scientists. The Nuffield Foundation is one of five foundations that fund and administer EFIND, which aims to strengthen research capacity in both biomedicine and public health aspects of diseases such as sleeping sickness, intestinal worms and river blindness.

New Africa Programme grants in 2012 – highlights

- We awarded £128,401 to the ALPHA network for its work to build the capacity of African research institutions to collect and analyse demographic and serological HIV data on children and adults. The ALPHA network is a collaborative programme comprising ten African research institutions, and the grant will be administered from the UK by Dr Victoria Hosegood from the University of Southampton.
- We have awarded £150,000 to a UK-based non-governmental organisation – CHIVA Africa – to send volunteer teams of UK experts in paediatric HIV healthcare to support healthcare workers in North West Province, South Africa. The teams will support the implementation of the government's programme to utilise staff at local clinics to administer anti-retroviral treatment for the HIV positive population.

Nuffield Council on Bioethics

The Nuffield Council on Bioethics is an independent body that 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 it has been funded jointly by the Foundation, the Wellcome Trust and the Medical Research Council. More information is available in the Council's own annual report, available at www.nuffieldbioethics.org.

Funding and governance

In 2012 the Foundation and our co-funders, the Wellcome Trust and the Medical Research Council, agreed to renew funding for the Nuffield Council on Bioethics for the period 2012 – 2016. This decision followed international peer review in 2011, and the completion of the Council's strategic review of its activities in 2012, which has been published alongside its objectives for the next period.

In January, the three funders appointed Professor Jonathan Montgomery as the new Chair of the Council following an open application process. Jonathan is Professor of Health Care Law at the University of Southampton and Chair of the Health Research Authority. In November 2013 he will take up the position of Professor of Health Care Law at UCL.

In 2012 the Council published reports on *Novel techniques for the prevention of mitochondrial DNA disorders* and a more general review on *Emerging biotechnologies: technology, choice and the public good*. These are reported on in full on the Council's website, www.nuffieldbioethics.org.

Structure, governance and management

The Trust Deed

The Nuffield Foundation is an unincorporated charity registered with the Charity Commission (206601). It was established by Trust Deed on 9 June 1943 by Lord Nuffield, the founder of Morris Motors. 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 1st 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, 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 under the powers of the Charities Act 2011. They are appointed by other Trustees for three terms of five, four and three years respectively, so they may serve a maximum of twelve years.

Trustees meet four times a year and are advised by an Investment Committee (which includes three Trustees and two independent investment professionals), an Audit Committee (which includes two Trustees and an independent accountant), and a Remuneration Committee (comprising two Trustees) to agree arrangements for the remuneration of staff. The Trustees appoint an external Chairman of a 'Panel for Trustee Remuneration' which meets periodically to review the remuneration of Trustees. In 2012 Trustees also agreed to set up a Nominations and Governance Committee to review terms of reference of other committees and initiate recruitment of new Trustees. Trustees agree terms of reference and authorities for all committees and grant selection panels, and parameters for the delegation of authorities to senior staff.

New Trustees receive an induction, which includes a series of meetings with other Trustees and senior staff. They also receive a *Handbook for Trustees*, containing information about financial procedures, committees, meetings and decision-making at the Foundation.

Organisational structure

In 2012 the Foundation employed 36 staff, including 12 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 are occasionally delegated to a single Trustee or to a committee. All grants over £25,000 must be approved by a majority of Trustees.

Risk management statement

The Trustees are responsible for the management of the risks faced by the charity. Detailed considerations of risk are delegated to the Audit Committee, which is assisted by senior staff. Risks are identified and assessed and controls are reviewed throughout the year. A formal review of the charity's risk management processes is undertaken on an annual basis, with a focus on a particular area each year. The key areas of likely risk include:

- Investment management, strategy and controls.
- Resource allocation choices and reputational damage.
- Financial controls and cashflow planning, budgeting and management accounting.
- People-related risks, including recruitment, chronic and acute shortfalls.
- Foundation infrastructure.

Trustees are satisfied that the major risks identified through the risk management processes are adequately managed. We recognise that systems can provide reasonable assurance, but no absolute guarantee, that important risks are identified or appropriately managed.

Statement of grant-making policy

The Foundation's grants programmes have been established to meet our objective to improve social well-being and therefore to benefit the wider public. The areas in which we operate, namely education and social policy and research, are subject to changing environments and priorities. Programmes are therefore subject to periodic review to ensure they continue to meet their objectives. These reviews usually have input from external, independent advisers.

All grants made under the Children and Families, Law in Society, Open Door, Education and Africa programmes are peer reviewed by independent referees. Final decisions on these applications are made by Trustees. Undergraduate Research Bursaries are awarded following assessment by a peer review panel, and Nuffield Research Placements are awarded by a network of regional coordinators who operate under a service level agreement with the Foundation.

In the case of our newest programme for Quantitative Methods in Undergraduate Social Sciences, eligible applications will be peer reviewed by an international panel of independent referees. Applications will then be short-listed and selected by a selection committee agreed by the three funding organisations.

Details of available funding and the application process for each programme are published on our website. This information includes eligibility criteria, deadlines, and terms and conditions. We require ethical scrutiny of proposals involving primary research, and evidence of a commitment to communication and dissemination of research findings. Grant-holders are also required to submit an end of grant report. For some longer-term grants, interim reports are also required.

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

Financial Review

We set a budget of £12.8 million for 2012 in the knowledge that, with incoming resources of £10.9 million (comprising income of £4.9m and capital of £6m), there would be a substantial deficit drawing on our expenditure reserve. In the event, as we spent only £10.1 million, there was no deficit. The main area of underspend was in grant programmes (expenditure: £5.3m; budget: £8.1m). All our other costs were in line with the budget.

There were three main reasons for the underspend. The first (and largest) was the delay in launching the Quantitative Methods programme, which accounted for £1.3m of the underspend but resulted in a larger programme with significant co-funding. The second was a consequence of our strategic review, particularly the closure of the Africa programme. The third was a result of the internal staff changes occurring during the year, including the retirement of the Director, the appointment of the new Director of Social Research and Policy, and the time taken to fill both posts. This meant we were short of one senior staff member for nearly six months and, as senior staff often encourage and promote applications, this had implications for our grant-making capacity at a time when the budget for grants increased by almost 26% over 2011.

In May 2012 we considered whether or not the Foundation might make fuller use of its balance sheet to advance its charitable objects. We considered four areas: being more active voting owners of stocks; being more prescriptive about which stocks we invest in; tilting the private equity allocation to areas more obviously connected with our aims and objects; and finally, whether to borrow to invest, in order to improve long term returns. Trustees decided to investigate only the latter two items. In reaching this decision we recognised that time (of Trustees and staff) was one of our biggest resource constraints, and that in order to be more active (and engaged) investors in a way that might enhance the delivery of charitable objects, we would need to divert resources away from grant-making (which remains our principal activity), to other areas where our contributions may well be inexpert, partial or heterodox. Trustees also wished to concentrate on maximising financial returns without undue constraint. We nevertheless decided to maintain our prohibition on directly held tobacco stocks because of the abuse of scientific research to promote a public ill with which that industry is associated. Decisions about private equity investing and borrowing will be made in 2013, after fuller investigation of the balance between financial risk and reward.

Investment management and governance

Investment performance for the periods ending 31 December 2012 is summarised below.

Total Returns	1 Year	3 Years	5 years
Nuffield Foundation (gross of fees)	11.4	9.3	3.3
Bespoke Benchmark (gross of fees)	12.4	6.9	2.1
WM Total Charities (gross of fees)	11.2	7.1	3.2
Key			
Nuffield Foundation	Actual performance		
Bespoke Benchmark	90% MSCI WI; 10% UK 15 year Gilts		
WM Total Charities	Weighted average, including property		

Performance in the year was satisfactory, but with different asset classes contributing in a different fashion from their performance in 2011. In 2012 global equities returned 13.9% and private equity made 3.4%, while in 2011 global equities produced returns of -6.4% and private equity returned 16.3%. Since 2003 our equity portfolio has returned 7.1%, whilst private equity has made 8.7%, both in line with expectations.

Our experience of inflation was 3.2% during the year. During the year we closed our account with Marathon Asset Management. No new managers were appointed.

Accounting for Total Returns and Reserves Policy

The 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. For the five years from 2009 our policy, advised by the Investment Committee in the light of our current asset distribution, has been to distribute 4.5% of the trailing twelve-quarter average market value of the Foundation's investments based on values at 30 June of the previous year.

Our reserves policy is driven by two components. The first 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 (there is no similar range for the restricted Expenditure Reserve). Stepping outside this range would trigger a review of spending. On 31 December 2012 this reserve was worth £4.1m (2011: £2.1m), so we expect to review matters in 2013. The restricted expenditure reserve continues to be negative, and will remain so until 2014. This is the result of absorbing the full costs of five-year grants made by the Oliver Bird Fund in 2008 where annual income is used to replenish the reserve.

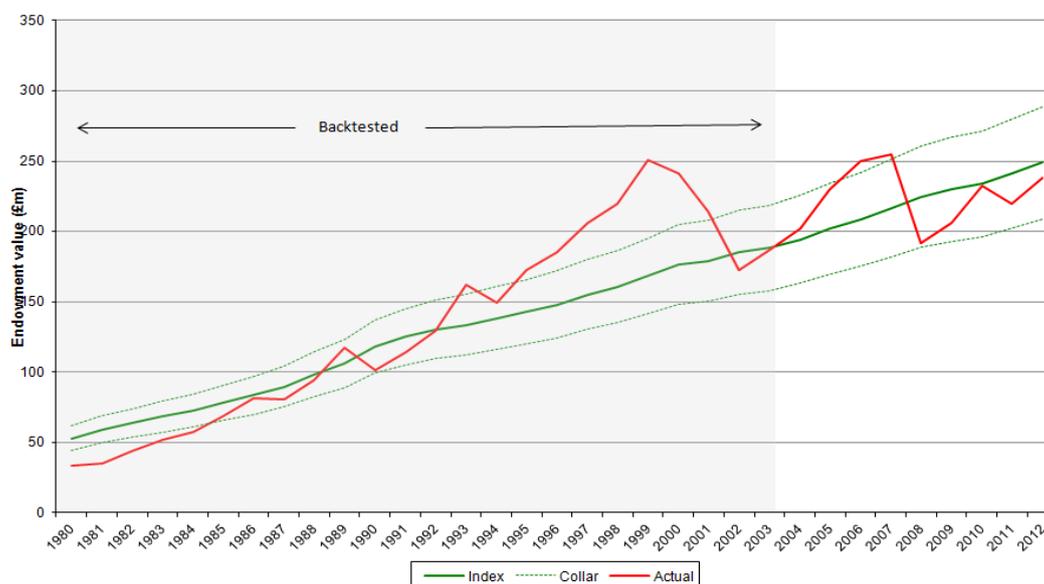
The second part of this policy reflects how we seek to preserve the endowment's value. The 'core endowment' represents that part of the assets which we seek to maintain in real terms. It is based on the value of the endowments on 31 December 2003 together with an allowance for subsequent inflation, and is referred to in the table below as the 'target value at 31 December 2012'. 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 has not. We expect our portfolio to be volatile in a normal range of plus or minus 16%. These parameters set upper and lower

ranges to enable us to identify when the endowment has drifted too far from its target value; if it had, we would conduct a review of the distribution rate. The 'allowance for market volatility' simply reconciles the target value with the value of the endowment shown on the balance sheet.

At 31 December 2012 the market value of the endowment total represented 95% of its target value (2011: 90%), suggesting that the Foundation's finances, at the end of 2012 at least, are still on an even keel. This is shown in the table below and illustrated in the chart.

£000s	Lower Limit	31/12/2012 Actual	Upper Limit
Core endowment			
'Preserved Value' at 31 December 2003		188,311	
Allowance for inflation		58,147	
Target Value at 31 December 2012	207,025	246,458	285,891
Allowance for market volatility		11,997	
Endowment total	207,025	234,461	285,891
Expenditure Reserve			
Restricted		(721)	
Unrestricted	(2,000)	4,101	2,000
Total funds		237,841	

Nuffield Foundation Index of Capital Maintenance



Statement of Trustees' Responsibilities

Law applicable to charities in England and Wales requires the Trustees of the Nuffield Foundation to prepare financial statements for each financial year that give a true and fair view of the charity's financial activities during the year and of its financial position at the end of the year. In preparing financial statements giving a true and fair view, the Trustees should follow best practice and:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards and statements of recommended practice 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 operation.

The Trustees are responsible for keeping proper accounting records, which disclose with reasonable accuracy the financial position of the Foundation and enable them to ensure that the financial statements comply with the Trust Deed. We are also responsible for safeguarding the assets of the Foundation, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved by the Trustees on 2nd May 2013 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 Nuffield Foundation for the year ended 31 December 2012 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 2012, 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: 16 July 2013

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).

STATEMENT OF FINANCIAL ACTIVITIES

	Note	Unrestricted Funds £000s	Restricted Funds £000s	Endowed Funds £000s	Total 2012 £000s	Total 2011 £000s
INCOMING RESOURCES						
Incoming resources from generated funds						
Voluntary income	2	-	826	-	826	541
Activities for generating funds		68	-	-	68	78
Other income		30	-	-	30	56
Investment income	6	3,590	257	162	4,009	4,456
Total incoming resources		3,688	1,083	162	4,933	5,131
Capital transferred to income	11	5,183	766	(5,949)	-	-
TOTAL RESOURCES AVAILABLE		8,871	1,849	(5,787)	4,933	5,131
RESOURCES EXPENDED						
Costs of generating funds						
Investment management costs		-	-	1,605	1,605	1,593
Charitable activities						
Social Policy		2,918	-	-	2,918	3,349
Education		2,279	137	-	2,416	3,018
Capacity Building		794	948	-	1,742	2,746
Nuffield Council on Bioethics		771	512	-	1,283	1,242
Charitable activities		6,762	1,597	-	8,359	10,355
Governance		100	-	-	100	86
TOTAL RESOURCES EXPENDED	3	6,862	1,597	1,605	10,064	12,034
NET OUTGOING RESOURCES after transfers		2,009	252	(7,392)	(5,131)	(6,903)
Net (loss)/gain on functional assets	5	-	-	1,322	1,322	-
Net (loss)/gain on investment assets	6	-	-	21,986	21,986	(5,862)
		-	-	23,308	23,308	(5,862)
Fund balances brought forward at 1 st January		2,092	(973)	218,545	219,664	232,429
FUND BALANCES carried forward at 31st December	11	4,101	(721)	234,461	237,841	219,664

The Total Net Outgoing Resources before Transfers during the year were £3,174k for unrestricted funds, £514k for restricted funds and £1,443k for the endowed funds. The total was £5,131k (2011: £6,903k).

Notes 1 – 11 form part of these Financial Statements.

BALANCE SHEET

		2012	2011
		£000s	£000s
FIXED ASSETS			
	Tangible fixed assets	5	4,348
	Investments	6	244,802
	Programme related investments	6	100
		<u>249,250</u>	<u>230,794</u>
CURRENT ASSETS			
	Debtors	7	827
	Bank and cash		612
			<u>51</u>
		<u>1,480</u>	<u>663</u>
LIABILITIES: amounts falling due within one year			
	Provision for grants payable	8	(8,170)
	Creditors	9	(2,660)
			<u>(8,951)</u>
		<u>(10,830)</u>	<u>(9,450)</u>
NET CURRENT LIABILITIES		<u>(9,350)</u>	<u>(8,787)</u>
LIABILITIES FALLING DUE AFTER ONE YEAR			
	Provision for grants payable	8	(2,059)
			(2,343)
NET ASSETS		<u>237,841</u>	<u>219,664</u>
FUNDS			
	Unrestricted funds		4,101
	Restricted funds		2,092
	Endowed funds	11	(721)
			<u>218,545</u>
TOTAL FUNDS		<u>237,841</u>	<u>219,664</u>

Notes 1 – 11 form part of these Financial Statements

These financial statements were approved by the Trustees on 2nd May 2013 and were signed on their behalf by:

Professor David Rhind
Chairman

CASH FLOW STATEMENT

	2012	<i>2011</i>
	£000s	<i>£000s</i>
Operating Activities		
Net cash outflow from operating activities	(4,186)	(7,365)
Capital expenditure and financial investment		
Payments to acquire tangible fixed assets	(31)	(29)
Disinvestment from investment portfolio	4,819	6,702
	<u>4,788</u>	<u>6,673</u>
Increase in cash during the year	<u>602</u>	<u>(692)</u>
Analysis of changes in net cash during the year		
Cash at bank and in hand		
<i>At 1 January</i>	51	743
<i>At 31 December</i>	<u>653</u>	<u>51</u>
<i>(Decrease)/increase in cash during the year</i>	<u>602</u>	<u>(692)</u>
Reconciliation of net Outgoing Resources to Net Cashflow from operating activities		
Net outgoing resources for the year	(5,131)	(6,903)
Depreciation	64	109
Movement in current assets/liabilities :		
Reduction in grant commitments	(1,065)	(277)
Increase/(decrease) in creditors	2,161	(287)
(Increase)/decrease in debtors	<u>(215)</u>	<u>(7)</u>
Net cash outflow from operating activities	<u>(4,186)</u>	<u>(7,365)</u>

Notes 1 – 11 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 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(h) Fixed assets

The property at 28 Bedford Square together with certain furnishings is stated at market value as determined by Trustees. Freehold 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 - 3 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 7th 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 31st 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.

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 in respect of the multi-employer pension scheme are accounted for as if they were a defined contribution scheme and are charged as they are incurred.

2 Incoming resources from generated funds

	2012 £000s	2011 £000s
Voluntary Income		
Grants received in support of:		
Nuffield Council on Bioethics	547	374
School Science Bursaries	167	138
Other restricted activities	112	29
	<u>826</u>	<u>541</u>
Activities for generating funds		
Sales, Royalties and Fee income	<u>98</u>	<u>132</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3 Resources expended

	Direct costs		Support	Total	Total
	Grants	Other	Costs	2012	2011
	£000s	£000s	£000s	£000s	£000s
Cost of Generating Funds					
Investment management	-	1,605	-	1,605	1,593
Charitable Expenditure					
Social Policy					
Children and Families	1,017	85	71	1,173	1,300
Law in Society	294	62	34	390	584
Open Door*	1,265	69	21	1,355	1,465
	<u>2,576</u>	<u>216</u>	<u>126</u>	<u>2,918</u>	<u>3,349</u>
Education					
Science and Maths	-	492	210	702	863
Education Grants	1,457	147	110	1,714	2,155
	<u>1,457</u>	<u>639</u>	<u>320</u>	<u>2,416</u>	<u>3,018</u>
Capacity Building					
Undergraduate Research Bursaries	331	2	42	375	875
Nuffield Research Placements	425	459	76	960	662
Africa Programme	(1)	57	34	90	(713)
Rheumatism	250	57	42	349	90
Quantitative Methods	-	41	8	49	78
Closed programmes	(81)	-	-	(81)	328
	<u>924</u>	<u>616</u>	<u>202</u>	<u>1,742</u>	<u>2,746</u>
Nuffield Council on Bioethics	<u>-</u>	<u>769</u>	<u>514</u>	<u>1,283</u>	<u>1,242</u>
Governance costs					
Audit fee	-	25	-	25	18
General costs					
Trustees' remuneration	-	57	-	57	63
Trustees' expenses	-	13	-	13	2
Legal fees	-	5	-	5	3
	<u>-</u>	<u>100</u>	<u>-</u>	<u>100</u>	<u>86</u>
Total Charitable Expenditure	<u>4,957</u>	<u>2,340</u>	<u>1,162</u>	<u>8,459</u>	<u>10,441</u>
Total Resources Expended	<u>4,957</u>	<u>3,945</u>	<u>1,162</u>	<u>10,064</u>	<u>12,034</u>

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

Each Trustee is entitled to an annual allowance by virtue of the provisions of the Trust Deed. This is currently £9,313 per annum. During the year three Trustees claimed reimbursement of travel and subsistence expenses (2011: six).

On 1 January 2013 Professor James Banks was appointed a Trustee. He is also the Deputy Director of Research at the Institute of Fiscal Studies, a grant recipient of the Nuffield Foundation in 2012. Professor Banks took no part in these decisions.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4 Personnel costs

	2012 £000s	2011 £000s
Wages and salaries	1,875	1,832
Social security costs	201	196
Other pension contributions	210	210
	<u>2,286</u>	<u>2,238</u>
Average full time equivalent number of staff employed in year:		
Grant-making	10	9
Science and Maths and other publications	5	8
Nuffield Council on Bioethics	12	11
Support services	9	11
	<u>36</u>	<u>39</u>
Remuneration of Higher Paid Staff		
Between £60,000 and £69,999	1	1
Between £70,000 and £79,999	2	2
Between £80,000 and £89,999	2	1
Between £90,000 and £99,999	-	1
Between £100,000 and £109,999	1	-

Employer's pension contributions for higher paid staff were in total £50,108.

The Pensions Trust Pension Scheme

Staff are entitled to contribute to a pension scheme known as the Pension Trust Growth Plan. This is a multi-employer pension plan which in most respects is a money purchase arrangement, although it does include certain guarantee elements as described below.

Contributions paid into the Growth Plan up to and including September 2001 were converted to defined amounts of pension payable from normal retirement dates. From October 2001 contributions were invested in personal funds which have a capital guarantee and which are converted to pension on retirement, either within the Growth Plan or by the purchase of an annuity. The capital is guaranteed through investing in short term, high quality securities and deposits.

It is not possible in the normal course of events to identify the share of the underlying assets of this multi-employer pension plan belonging to the individual participating employers. Accordingly, in line with the requirements of FRS 17, the accounting charge for the year represents only the Nuffield Foundation employer contributions payable.

The latest formal valuation of the Growth Plan was performed at 30 September 2009 and this showed the Plan to have a buy out funding level of 79%. The Nuffield Foundation receives quarterly updates from the scheme's actuary on the funding level and its potential employer debt if it were to withdraw from the scheme. Based on the latest quarterly update at 31 December 2012 the funding level remained unchanged and the charity had a contingent liability of £2,269,882 in the event that it was to withdraw its membership of the Growth Plan. In March 2013 the Trustees decided to withdraw from the Growth Plan and in April 2013 recognised a liability of £2,264,069 to the Pensions Trust to complete this process.

The Nuffield Foundation paid contributions at a rate of 11% of member salaries during the accounting period. The Plan Trustee has previously indicated that no additional contributions from participating employers are required at this time.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5 Tangible Fixed Assets

	Leasehold Property £000s	Other assets £000s	Total £000s
Cost or valuation			
At 1 January	3,300	402	3,702
Additions	-	31	31
Disposals	-	(68)	(68)
Revaluations	900	-	900
At 31 December	<u>4,200</u>	<u>365</u>	<u>4,565</u>
Depreciation and amortisation			
At 1 January	422	221	643
Charge for year	-	64	64
Revaluation	(422)	-	(422)
Disposals	-	(68)	(68)
At 31 December	<u>-</u>	<u>217</u>	<u>217</u>
Net book value			
At 31 December	<u>4,200</u>	<u>148</u>	<u>4,348</u>
<i>At 1 January</i>	<u>2,878</u>	<u>181</u>	<u>3,059</u>

All tangible fixed assets are held for continuing use in the Foundation's activities. The depreciated historic cost of the leasehold property is £1,219k. The lease expires on 24th December 2084 and was revalued in 2012 by the Trustees of the Foundation.

6. Investments

a) Investments at Market Value

	2012 £000s	2011 £000s
Market Value at 1 st January	227,635	240,199
Net disinvestment from portfolio	(4,819)	(6,702)
Realised and unrealised gains/(losses)	21,986	(5,862)
Market Value at 31 st December	<u>244,802</u>	<u>227,635</u>
Historic cost of listed investments at 31 st December	<u>214,741</u>	<u>199,887</u>

b) Disposition of Investments

	2012 £000s	2011 £000s
Listed Equities	157,728	148,292
Fixed Income	22,418	18,361
Private Equity	60,939	56,873
Cash	3,717	4,109
Total	<u>244,802</u>	<u>227,635</u>
Total UK investments	58,036	54,376
Total overseas investments	186,766	173,259
Total	<u>244,802</u>	<u>227,635</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. Investments (continued)

c) Income from Investments	2012 £000s	2011 £000s
Global Equities	2,846	3,214
UK Property Unit Trusts	-	7
UK Government Bonds	786	830
Private Equity	370	371
Cash	7	34
	<u>4,009</u>	<u>4,456</u>

d) Illiquid assets and investment commitments

At the year end the Foundation had undrawn commitments to Private Equity funds of £21,811,821 which are expected to be called at various dates between 2013 and 2021. 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 £60,938,716 reported above represents the latest valuations of the funds at or prior to 31 December 2012 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 2012 the charity had open forward exchange contracts to sell US dollars, Yen and Euros with a total sterling value of £52,920,270. The settlement date for all of these contracts was 21st March 2013. These contracts were entered into to reduce the charity's currency risk following the greater global diversification of 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

	2012 £000s	2011 £000s
Aberdeen Asia Pacific & Japan Fund	13,311	11,192
Veritas Global Equity Fund	34,583	-

g) Programme Related Investments

The Foundation holds 100,000 £1 fully paid Non Cumulative Preference Shares in the Charity Bank Ltd, a charity with a mission to tackle marginalisation, social injustice and exclusion and facilitate social change through investment.

7 Debtors and prepayments

	2012 £000s	2011 £000s
Accrued Income	374	439
Other debtors	453	173
	<u>827</u>	<u>612</u>
Contingent assets (potentially recoverable grants)	3	3

8 Grants Payable

a) Grants Payable	2012 £000s	2011 £000s
Grants awarded but not paid at 1 January	11,294	11,571
Grants awarded in the year	5,532	7,104
Grants cancelled in the year	(575)	(304)
Grants paid in the year	(6,022)	(7,077)
Grants awarded but not paid at 31 December	<u>10,229</u>	<u>11,294</u>
Payable within one year	8,170	8,951
Payable after one year	2,059	2,343
	<u>10,229</u>	<u>11,294</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8 Grants Payable (continued)

b) Analysis of grants awarded

	2012 £000s	2011 £000s
Awarded to individuals	-	7
Awarded to institutions	5,532	7,097
	<u>5,532</u>	<u>7,104</u>

Five largest contributions

	2012 £000s
Institute of Fiscal Studies	557
King's College London	381
University College London	373
University of Cambridge	345
University of Southampton	274

9 Creditors: amounts falling due within one year

	2012 £000s	2011 £000s
Income Tax and National Insurance	59	63
Accruals	284	316
Other creditors	86	120
Deferred Income	2,231	-
	<u>2,660</u>	<u>499</u>

10 Statement of Total Returns

Calculation of Total Return

	Permanent Endowments £000s	Expendable endowments £000s	Total £000s
Investment Return			
Investment income	162	3,847	4,009
Capital Gains/(Losses):			
Investments	886	21,100	21,986
Investment Management costs	(65)	(1,540)	(1,605)
Total Return for year	<u>983</u>	<u>23,407</u>	<u>24,390</u>
Less:	(395)	(9,401)	(9,796)
Application of Return to Expenditure Reserve			
Net Total Return for the year	<u>588</u>	<u>14,006</u>	<u>14,594</u>
Unapplied Total Return			
at 1 st January 2012	<u>1,226</u>	<u>29,008</u>	<u>30,234</u>
At 31 st December 2012	<u>1,814</u>	<u>43,014</u>	<u>44,828</u>
'Preserved Value' at 31 st 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 31st December 2003.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 Newit 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 st January 2012	Movement in Resources				Balance at 31 st December 2012
		Incoming Resources	Outgoing Resources	Unrealised Gain/(Loss)	Transfers	
Capital Funds						
Endowments						
Permanent Endowment						
Elizabeth Nuffield Fund	1,891	35	(14)	190	(85)	2,017
Commonwealth Relations Trust	6,916	127	(51)	696	(310)	7,378
	<u>8,807</u>	<u>162</u>	<u>(65)</u>	<u>886</u>	<u>(395)</u>	<u>9,395</u>
Expendable Endowments						
Oliver Bird Fund	14,019	-	(102)	1,410	(371)	14,956
Main Fund	195,719	-	(1,438)	21,012	(5,183)	210,110
	<u>209,738</u>	<u>-</u>	<u>(1,540)</u>	<u>22,422</u>	<u>(5,554)</u>	<u>225,066</u>
Total Endowed Funds	<u>218,545</u>	<u>162</u>	<u>(1,605)</u>	<u>23,308</u>	<u>(5,949)</u>	<u>234,461</u>
Expenditure Reserve						
Restricted Funds						
Elizabeth Nuffield Fund	-	-	(85)	-	85	-
Commonwealth Relations Trust	-	12	(380)	-	310	(58)
Oliver Bird Fund	(996)	257	(351)	-	371	(719)
Other Restricted Funds	23	814	(781)	-	-	56
	<u>(973)</u>	<u>1,083</u>	<u>(1,597)</u>	<u>-</u>	<u>766</u>	<u>(721)</u>
Unrestricted Funds						
General Fund	2,092	3,688	(6,862)	-	5,183	4,101
Total Expenditure Reserve	<u>1,119</u>	<u>4,771</u>	<u>(8,459)</u>	<u>-</u>	<u>5,949</u>	<u>3,380</u>
Total Funds	<u>219,664</u>	<u>4,933</u>	<u>(10,064)</u>	<u>23,308</u>	<u>-</u>	<u>237,841</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11 Funds (continued)

c) Analysis of Funds

	Unrestricted Funds £000s	Restricted Funds £000s	Expendable Endowment £000s	Permanent Endowment £000s	Total £000s
Investments	-	-	235,407	9,395	244,802
Other fixed assets	-	-	4,448	-	4,448
Net current assets (liabilities)	4,101	(721)	(12,730)	-	(9,350)
Liabilities due in over one year	-	-	(2,059)	-	(2,059)
Total funds	<u>4,101</u>	<u>(721)</u>	<u>225,066</u>	<u>9,395</u>	<u>237,841</u>

Grants awarded during 2012

Name	Purpose	Value (£)	Term (m)
Social Policy: Children and Families			
Professor Michael Lamb Department of Social and Developmental Psychology, University of Cambridge	Timely disclosures mean timely interventions for young offenders and victims	339,183	60
Professor Stephen Scott Institute of Psychiatry, King's College London	Comparing parenting interventions that improve disadvantaged children's life- chances through enduring change in literacy and behaviour.	116,808	12
Dr Maebh Harding School of Law, University of Portsmouth	How do County Courts share care of children between parents?	106,453	18
Sarah Spencer, CBE Centre on Migration, Policy and Society, University of Oxford	Social services support for children and families with 'No recourse to public funds'	100,966	18
Graeme Cooke Institute for Public Policy Research	Childcare: a strategic national priority?	68,129	14
Professor Liz Trinder School of Law, University of Exeter	Enforcing contact orders: cases, courts and consequences	60,731	5
Dr Tina Haux School of Social Sciences, University of Lincoln	Parenting before and after separation	57,681	12
Walter Merricks Donor Conception Network	Donor-conception: Developing resources and practice guidance	50,000	12
Professor Alissa Goodman Institute of Child Health, University College London	Proposal for a Workshop and Scientific Development Work around fathers and co- parents in Life Study	25,300	6
Joyce Plotnikoff Lexicon Limited	Toolkits for the legal profession on advocacy with vulnerable witnesses and defendants	20,300	12
		945,551	
	Other grants	91,627	
	Cancelled grants	(19,772)	
	Total: Children and Families	1,017,406	

Name	Purpose	Value (£)	Term (m)
Social Policy: Law in Society			
Professor Paul Fenn Nottingham University Business School, University of Nottingham	Funding clinical negligence cases: access to justice at reasonable cost?	124,979	15
Dr Colm O'Cinneide Faculty of Laws, University College London	Bridging the divide - Matters to be taken into account in relation to the integration of national equality bodies and human rights institutions in the European Union	86,163	9
Dr Justine Stefanelli Bingham Centre for the Rule of Law	The rule of law and immigration detention	67,458	9
Richard Jenner ASA Advice Now	Advice Now Service	25,000	6
Dr Jack Anderson School of Law, Queen's University Belfast	Promoting the greater use of ADR: A Northern Ireland case study	22,652	12
Dr Howard Davis The Business School, Bournemouth University	A victim's right to truth and the ICC	20,633	12
Dr Jillian Craigie Department of Philosophy, University College London	Agency, mental capacity and criminal responsibility in mental disorder	18,781	12
		365,666	
	Other grants	500	
	Cancelled grants	(72,655)	
	Total: Law in Society	<u>293,511</u>	

Social Policy: Open Door

Jonathan Shaw Institute for Fiscal Studies	Redistribution and insurance across the lifecycle - the effects of the UK tax and benefit system	296,413	24
Raphael Wittenberg Personal Social Services Unit, London School of Economics	Care and support of older people living in the community: understanding receipt of formal and informal care, payment for services, provision of informal care and their implications for policy	218,801	39

Name	Purpose	Value (£)	Term (m)
Social Policy: Open Door (continued)			
Hywel Ceri Jones Wales Governance Centre, University of Cardiff	The UK's Changing Union: a joint initiative on the future of the Union and the Welsh devolution settlement	150,000	44
Paul Johnson Institute for Fiscal Studies	IFS Green Budget 2013	131,010	3
Christine Berry FairPensions, FairShare Educational Foundation	Achieving Enlightened Fiduciary Standards in Private Pension Saving	130,612	24
James Browne Institute for Fiscal Studies	To what extent do those on high incomes respond to changes in marginal tax rates?	100,913	24
Professor Robert Blackburn School of Law, King's College London	Cabinet Manual Review	78,469	12
Professor John Curtice Scottish Centre for Social Research, National Centre for Social Research	Learning to live with STV? Voter behaviour in the 2012 Scottish Local Elections	71,128	21
Dr Ian Lange Division of Economics, University of Stirling	Is the winter fuel payment counter-productive to energy policy?	38,573	10
Max Landry The Conversation UK	The Conversation UK 6 month pilot	25,000	6
Dr Meg Russell The Constitution Unit, University College London	An abuse of privilege? The Commons, the Lords and financial matters	22,822	17
Chris Lane Charity Tax Group	Charity Tax Map Online	22,500	12
		1,286,241	
	Other grants	69,549	
	Cancelled grants	(90,572)	
	Total: Open Door	1,265,218	
	Total: Social Policy	2,576,135	

Name	Purpose	Value (£)	Term (m)
Education			
Dr Danielle Matthews Department of Psychology, University of Sheffield	Does promoting parents' contingent talk with their infants benefit language development?	194,230	43
Dr Graeme Douglas School of Education, University of Birmingham	Longitudinal Study of Transitions Experiences of Blind and Partially Sighted Young People	159,597	36
Professor Alison Fuller Southampton Education School, University of Southampton	Does apprenticeship work for adults? The experiences of adult apprentices in England	139,788	18
Dr Tim Jay Graduate School of Education, University of Bristol	Everyday Maths: Empowering parents to support their children's mathematical understanding	137,280	21
Dr Ros Herman Language and Communication Science Division, City University	Reading and dyslexia in deaf children II: the special case of deaf children who sign	136,543	24
Professor Dieter Wolke Department of Psychology, University of Warwick	The Impact of Premature Birth on Mathematics Achievement and Schooling	126,645	24
Dr Jo Blanden School of Economics, University of Surrey	Evaluating the Impact of Nursery Attendance on Children's Outcomes	125,413	24
Professor Gabriella Vigliocco Division of Psychology and Language Sciences, University College London	Learning Abstract Concepts: The Role of Linguistic and Affective Development	124,332	24
Professor Robert Plomin Social, Genetic and Developmental Psychiatry Centre, King's College London	Understanding and influencing pupils' choices as they prepare to leave school	117,942	24
Professor Stephen Gorard School of Education, University of Birmingham	Developing the most promising parental involvement interventions to raise pupil attainment at school	51,296	13
Professor Tony Cline Educational Psychology Group, University College London	Child language brokering at school	47,869	12
Dr Shaalan Farouk Department of Education, University of Roehampton	Personal Narratives and Student Achievement in Pupil Referral Units (PRU): Increasing the Engagement of Disaffected Students Through New Educational Practice	32,974	25

Name	Purpose	Value (£)	Term (m)
Education (continued)			
		1,393,909	
	Other grants	72,230	
	Cancelled grants	(8,659)	
	Total: Education	1,457,480	
Capacity Building			
Undergraduate Research Bursaries			
	126 awards	338,470	
	Cancelled grants	(7,010)	
	Total: Undergraduate Research Bursaries	331,460	
Nuffield Research Placements (formerly Nuffield Science Bursaries for Schools & Colleges)			
	1,168 awards	427,044	
	Cancelled grants	(2,200)	
	Total: Nuffield Research Placements	424,844	
Oliver Bird Rheumatism Programme			
	Supplementary grants	250,000	
Social Science Small Grants			
	Cancelled grants	(44,124)	
New Career Development Fellowships			
	Supplementary grants	2,687	
	Cancelled grants	(40,274)	
	Total: New Career Development Fellowships	(37,587)	

Name	Purpose	Value (£)	Term (m)
Africa Programme			
Ms Heidi Nathan CHIVA - Africa	Training South African health professionals to treat and care for infants and children with HIV	150,000	36
Dr Victoria Hosegood School of Social Sciences, University of Southampton	ALPHA network workshop to build the capacity of African research institutions to collect and analyse demographic and serological HIV data on children and adults	128,401	18
		278,401	
	Other grants	10,000	
	Cancelled grants	(289,561)	
	Total: Africa Programme	(1,160)	
	Total: Capacity Building	923,433	
	Total: Grants Awarded	5,531,875	
	Total: Grants Cancelled	(574,827)	
	Total: All Programmes	4,957,048	

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 $\frac{2}{3}$ Average Earnings Index and $\frac{1}{3}$ Retail Price Index).
 - 2.2. The Foundation's composite inflation index is applied to the endowment value of £188,310k (the value on 31st December 2003).
3. Distribution rate
 - 3.1. The Foundation intends to distribute 4% of the average of the previous twelve quarter rolling market values (4.5% from 2009 for five years).
 - 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 & 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% - 15%
<i>Total assets</i>	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
<i>Real Assets</i>	
Global Equities	Aberdeen, Acadian, Harding Loevner, Longview, Objective Completion, Veritas
Private Assets	Various illiquid funds
<i>Nominal Assets</i>	
Fixed Interest	Objective Completion
Custodian	Northern Trust

Asset Class	Benchmark	Target
Total Equities	MSCI WI	+ 2%
Private Assets	MSCI ACWI	+ 4%
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 1st April 2003

Ten Year History

	2003 £m	2004 £m	2005 £m	2006 £m	2007 £m	2008 £m	2009 £m	2010 £m	2011 £m	2012 £m
Statement of Financial Activities										
Incoming Resources										
Investment income (gross of charges)	6.3	6.8	7.1	6.2	6.0	7.0	4.2	3.9	4.5	4.0
Capital transferred to income	1.5	0.7	1.0	1.4	2.5	2.4	7.0	6.7	5.5	5.8
Total Return Distribution	7.8	7.5	8.1	7.6	8.5	9.4	11.2	10.6	10.0	9.8
Other income	0.7	0.8	0.6	1.1	1.0	1.3	0.9	0.8	0.7	0.9
Total resources available	8.5	8.3	8.7	8.6	9.5	10.6	12.1	11.4	10.6	10.7
Expenditure										
Grants made	8.9	5.6	5.2	6.4	7.7	7.0	6.1	5.7	6.8	5.0
Projects managed internally										
Curriculum Programme	0.9	0.8	1.0	1.0	1.0	1.3	0.9	1.3	0.9	-
Council on Bioethics	0.6	0.7	0.8	0.9	0.9	0.9	1.1	1.2	1.2	1.3
Other projects	0.1	0.2	-	-	-	-	-	-	-	-
Support costs	1.0	0.6	1.0	1.3	1.4	1.4	1.4	1.4	1.5	2.1
Total charitable activities	11.4	7.9	8.0	9.6	11.0	10.6	9.4	9.6	10.4	8.4
Charity administration	0.3	0.3	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Investment management fees	0.8	1.5	1.2	1.2	1.4	1.2	1.3	2.4	1.6	1.6
Total Expenditure	12.5	9.7	9.3	10.9	12.5	11.9	10.8	12.0	12.0	10.1
Net Movement on Funds	(4.0)	(1.5)	(0.6)	(2.3)	(3.0)	(1.3)	1.2	(0.7)	(1.4)	0.7
Other Gains and losses	20.1	17.2	29.4	23.4	10.2	(59.2)	19.9	33.9	(5.9)	23.3
Capital transferred to income	(1.5)	(0.7)	(1.0)	(1.4)	(2.5)	(2.4)	(7.0)	(6.7)	(5.5)	(5.8)
Funds at beginning of year	172.7	187.4	202.4	230.3	250.0	254.7	191.8	205.9	232.4	219.7
Funds at end of year	187.4	202.4	230.3	250.0	254.7	191.8	205.9	232.4	219.7	237.8
Balance Sheets										
Fixed Assets										
Investments	191.4	208.1	235.5	256.2	261.7	200.6	213.2	240.2	227.6	244.8
Tangible Fixed Assets	3.6	3.5	3.4	3.3	3.3	3.2	3.2	3.1	3.1	4.4
Programme Related Investment	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
	195.1	211.8	239.1	259.6	265.1	203.9	216.5	243.4	230.8	249.3
Current Assets										
Cash and short term deposits	2.5	0.9	0.4	0.6	0.4	0.2	0.9	0.8	0.1	0.7
Other current assets	0.8	0.6	0.7	0.5	1.0	0.5	0.9	0.6	0.6	0.8
	3.3	1.6	1.1	1.2	1.4	0.6	1.8	1.4	0.7	1.5
Liabilities	(11.0)	(10.9)	(9.9)	(10.8)	(11.8)	(12.7)	(12.4)	(12.4)	(11.8)	(12.9)
Net Current Assets	(7.8)	(9.3)	(8.8)	(9.6)	(10.4)	(12.1)	(10.6)	(11.0)	(11.1)	(11.4)
Total Net Assets	187.3	202.4	230.3	250.0	254.7	191.8	205.9	232.4	219.7	237.8
Reserves										
Income/Expenditure reserves	(1.0)	(1.3)	(0.7)	(1.7)	(3.2)	(3.3)	(0.8)	0.9	1.1	3.4
Endowments	188.3	203.7	231.0	251.7	258.0	195.1	206.7	231.5	218.5	234.5
	187.3	202.4	230.3	250.0	254.7	191.8	205.9	232.4	219.7	237.8
Performance										
Total Returns (12 months to 31 Dec.)										
Investments (net of fees)	15.2%	12.3%	17.3%	12.5%	5.9%	-20.7%	13.0%	17.2%	-1.3%	10.9%
Benchmark (WM 2000/Bespoke)	16.5%	11.4%	19.1%	12.2%	6.3%	-18.0%	17.0%	15.1%	-3.8%	12.4%
Change in Indices (12 months to 31 Dec.)										
Expenditure/Investments	6.5%	4.7%	3.9%	4.3%	4.8%	6.0%	5.1%	5.0%	5.3%	4.1%
Increase in RPI	2.8%	3.5%	2.2%	4.4%	4.0%	0.9%	2.4%	4.8%	4.8%	3.1%
Increase in Average Earnings	3.4%	4.2%	3.8%	3.8%	3.6%	3.2%	1.2%	2.3%	2.0%	1.3%
Nuffield Inflation Index	3.2%	3.9%	3.2%	4.0%	3.8%	2.3%	1.7%	3.3%	3.1%	2.0%

Notes

- 1 These statements have been extracted from previously audited financial statements
- 2 These statements do not form part of the Trustees' Report and Accounts.