

Nuffield
Foundation
Trustees'
Report and
Financial
Statements
2016

Reference and administrative details

Trustees

Professor David Rhind CBE, DSc, FRS, Hon FBA (Chair)
Professor James Banks MSc, PhD
Dame Colette Bowe MSc, PhD
Professor The Lord Krebs Kt, MA, DPhil, FRS, FMedSci
Professor Terrie Moffitt MA, PhD, FBA, FMedSci
Professor the Right Honourable Lord Justice Ryder TD, DL, FRSA
Professor Anna Vignoles PhD

Senior staff

Tim Gardam, Chief Executive (from 1 September 2016)
Josh Hillman, Acting Director (until 31 August 2016)
and Director of Education
James Brooke Turner, Finance Director
Teresa Williams, Director of Social Research and Policy

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Chairman's foreword

This report and financial statements set out the work we have undertaken in 2016 to improve social well-being and educational opportunity in the UK, and accounts for our expenditure and investment of the Foundation's endowment.

In 2016, our charitable expenditure was £8.3 million, up slightly from £7.8 million in 2015. Over half of this (£5.6 million) was spent on our work in social policy and education, with another £1.3 million on Nuffield Research Placements for school and college students, and £1.2 million on the Nuffield Council on Bioethics (co-funded with the Medical Research Council and Wellcome Trust). We also spent £0.2 million on the support programme for Q-Step, our programme designed to deliver a step-change in quantitative social science (co-funded with the Economic and Social Research Council and the Higher Education Funding Council for England).

We have benefited from some excellent investment returns over the last few years, but we recognise that not all of these will be permanent. In order to maximise the benefit from recent gains in a sustainable way, we have agreed to allocate an additional £20m to spend on our charitable activities over the next five years. One of our priorities in 2017 will be to establish the best use of these additional funds, in line with our charitable objectives.

We were delighted to welcome our new Chief Executive Tim Gardam, who took up his post in September. Tim joined us from St Anne's College Oxford where he had been Principal for 12 years. He has had a 25-year career in senior broadcasting roles, culminating in his position as Director of Television and Director of Programmes at Channel 4. Tim has been leading a strategic review of our work, which has considered what we fund and why, how we can maximise its impact, changes to our governance and internal processes, and discussions with others about how we can collaborate to tackle the challenges of a rapidly changing world. This work has informed development of a revised strategy, which we will publish in June 2017.

On behalf of all the Trustees, I would particularly like to thank Josh Hillman. He served ably as acting Director of the Foundation for much of 2016, alongside his role as Director of Education. I would also like to thank our key partners, who work with us to deliver the Foundation's research and student programmes. This includes our grant-holders, our Nuffield Research Placement and Q-Step coordinators around the UK, and our peer reviewers who help ensure that Nuffield-funded research is of high quality and rigorous. We are fortunate to work with so many dedicated people.



Professor David Rhind
Chair

Chief executive's foreword

In 2016, the Social Mobility Commission's annual 'State of the Nation' report referenced eleven different Nuffield-funded projects relating to aspects of childcare, inequality, and education spending. The inclusion of so many Nuffield-funded projects in a single report is just one demonstration of the way in which we fulfil our charitable purposes to advance educational opportunity and social well-being across the United Kingdom.

During 2016, we awarded research grants totalling £4.6 million. These range from a large number of comparatively small grants encouraging ideas at the earliest stages of development, to grants of up to £500,000 addressing some of the long-term issues facing our society. Our research portfolio encompasses a range of approaches, from randomised controlled trials of education interventions, to a scoping study to identify the best way to improve the use of evidence in the family justice system, to funding for the Food Foundation's campaign for evidence-based reform to food and health-related policies.

We also report on our progress in developing our student programmes. In 2016, we increased the proportion of Nuffield Research Placements awarded to students from disadvantaged backgrounds, a figure that now stands at half of all participating students. Similarly, we report on the development and take-up of new Q-Step degrees and modules that will equip students with skills in quantitative analysis and promote a step-change in quantitative social science training for undergraduates.

In the wider world, the events of 2016 highlighted the debate about the role and credibility of evidence in policy-making and its acceptance by wider society. The Nuffield Foundation is a place for independent, trusted, and evidence-based analysis of the issues that will determine social well-being in a society conscious of its own divisions. We recognise the challenge in ensuring that the evidence that informs policy also demonstrates its relevance to people's daily experience.

In 2017, we will publish our funding priorities for the next five years following a strategic review. In doing this, we have consulted closely with our stakeholders, and we would like to thank all those who have provided insights into the development of our future agenda and the most effective ways to disseminate our research. We are conscious that, as a Foundation that focuses on the evaluation of public policy, we should have a clear approach to how we should measure our own effectiveness. We are therefore developing for subsequent annual reports a new framework that will help us to assess the impact of our work, both the projects we fund, and our overall impact as a funder.



Tim Gardam
Chief Executive

Objectives and activities for public benefit

The Nuffield Foundation is an independent charitable trust that aims to improve social well-being and educational opportunity in the UK. We fund research that explores the issues affecting people's life chances and increases the capacity of institutions to address them. We also fund programmes to develop young peoples' skills and confidence in scientific inquiry and quantitative analysis. We are reviewing our funding priorities and will publish our five-year strategy in June 2017.

We achieve our objectives by:

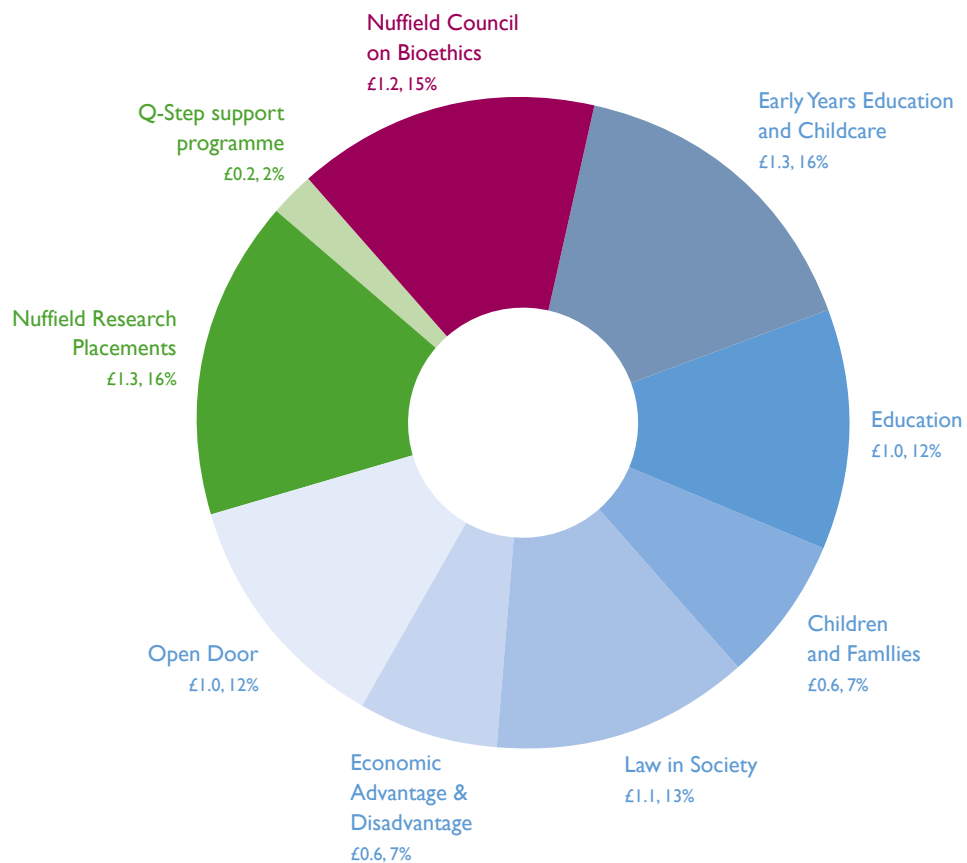
- Making grants for research and innovation projects under seven funding programmes: Children and Families, Early Years Education and Childcare, Economic Advantage and Disadvantage, Education, Finances of Ageing, Law in Society, and Open Door.
- Funding Nuffield Research Placements, which provide Year 12 students (particularly those from disadvantaged backgrounds) with the opportunity to undertake science (including social science), technology, engineering and maths (STEM) research projects.
- Funding Q-Step, a programme designed to promote a step-change in quantitative social science training for undergraduates (jointly with the ESRC and HEFCE).
- Co-funding the Nuffield Council on Bioethics, an independent body that examines and reports on ethical issues in biology and medicine in order to assist policy-making in the public interest. The Council also receives funding from the Wellcome Trust and the Medical Research Council.
- Working to ensure our work has impact over and above our grant-making, primarily by stimulating and commissioning work to address evidence gaps, convening events that bring together people, evidence, and ideas, and synthesising findings from different projects to give greater resonance to a body of work.

In addition, we are developing a new programme in bio-social research that will focus on the societal implications of chronic illness, and this will be funded by our restricted Oliver Bird Fund. We are also reviewing how we will use funds from the Commonwealth Relations Trust, another restricted fund, which is currently committed to work with HIV-positive young people in South Africa.

In preparing this report, Trustees have referred to the Charity Commission's general guidance on public benefit and are satisfied that the activities undertaken by the Foundation meet the Commission's requirements. Pages 7–19 report in detail on the Foundation's activities.

2016 in numbers

Charitable expenditure of £8.3 million split by programme



Research and innovation grants

In 2016, we made grants for research and innovation projects from six of our seven research and innovation programmes: Children and Families, Early Years Education and Childcare, Economic Advantage and Disadvantage, Education, Law in Society, and

Open Door (no new grants were made from our Finances of Ageing programme in 2016).

Applicants submit a short outline application, and those that meet our criteria are invited to submit a full application, which is then subject to independent peer review and considered by Trustees. This two-stage process minimises nugatory

work on the part of applicants. Over the course of the year we:

- Received 453 outline applications
- Invited and considered 72 full applications
- Funded 33 new projects with a total value of £4.5 million
- Awarded additional funding to three projects funded in previous years (with a total value of £0.1 million)

Of the 33 new projects funded:

- 25 were to universities
- Three were to research institutes
- Two were to charities
- Two were to professional/membership organisations
- One was to an NHS Trust

Nuffield Research Placements

- We funded 1,213 Nuffield Research Placements for year 12 (or equivalent) students to spend their summer holidays working on a science (including social science), technology, engineering or maths research project in a professional environment.
- Half of participating students were from disadvantaged backgrounds and so received an additional bursary.
- Forty-nine per cent of students who completed a placement will be the first people in their family to go to university.
- We contacted 16,000 former Nuffield Research Placement students to re-engage them with our alumni programme.

Q-Step

- There are 15 Q-Step Centres and three Q-Step Affiliates based at universities throughout the UK.
- In 2015/16 over 750 new undergraduate students began Q-Step degree programmes and almost 8,000 students were taking one or more Q-Step modules.
- There were 68 new or amended Q-Step degree programmes validated and operating.
- There were 172 new or amended Q-Step modules validated and operating.
- Since 2013/14, 280 students have undertaken work placements, and 173 of these were in the most recent year.
- We awarded additional funding to seven Q-Step Centres to run social science-related events for secondary school students as part of the Festival of Social Science.

Communications and engagement

- Over 180 meetings and events were held at the Foundation, attended by a total of approximately 2,800 people.
- Received 561,278 visits to the Foundation website (excluding Practical Science sites).
- Exceeded 5,000 followers on Twitter.
- Reached 3,000 subscribers to our e-newsletter.
- Over 200 references to Nuffield-funded work in the UK national media.

Achievements and performance

Grants awarded in 2016

Name	Purpose	Value (£)	Term (m)
Social Policy			
Early Years Education and Childcare			
Professor Lynne Murray, School of Psychology and Clinical Language Sciences, University of Reading	The impact of a dialogic book-sharing training programme on child cognitive and socio-emotional development: a randomised controlled trial within UK Children's Centres	333,245	22
Dr Deborah Gibbard, Solent NHS Trust	A randomised controlled trial of the effectiveness of parent-based models of speech and language therapy intervention for 2 to 3 year old children with primary language delay in areas of social disadvantage	314,711	36
Professor Gaia Scerif, Department of Experimental Psychology, University of Oxford	Cognitive and educational foundations of preschool mathematics: (not) as easy as 1, 2, 3	241,444	30
Dr Daniel Carroll, Department of Psychology, University of Sheffield	Testing a short executive function training intervention to improve academic skills in disadvantaged children before they start school	179,111	18
Dr Fiona Simmons, School of Natural Sciences and Psychology, Liverpool John Moores University	Understanding the influence of cognition and the home learning environment on early number skills	151,609	26
Professor James Law, School of Education, Communication and Language Sciences, Newcastle University	Promoting parent-child reading to improve school readiness and later language development: who does it work for and how much difference can it make?	57,758	12
TOTAL: EARLY YEARS EDUCATION AND CHILDCARE		1,277,878	

Name	Purpose	Value (£)	Term (m)
Children and Families			
Dr Richard Rowe, Department of Psychology, University of Sheffield	Identifying the mechanisms linking socioeconomic status and child antisocial behaviour	127,555	24
Professor Louise Howard, Women's Mental Health Services and Population Research, King's College London	The impact of anxiety disorders and personality dysfunction in pregnancy on mother-infant interaction at three months postpartum	114,398	21
Professor Karen Broadhurst, Department of Sociology, Lancaster University	Additional work on a population profiling study of vulnerable birth mothers and recurrent care proceedings (project first funded in 2014)	75,608	41
Dr Polly Vizard, Centre for Analysis of Social Exclusion, London School of Economics	Additional work on multidimensional child poverty and disadvantage: tackling 'data exclusion' and extending the evidence base on missing and 'invisible' children (project first funded in 2015)	70,208	26
Cancelled grants		(83,642)	
TOTAL: CHILDREN AND FAMILIES		304,127	
Law in Society			
Professor Karen Broadhurst, Department of Sociology, Lancaster University	Towards a family justice observatory – a scoping study	298,169	18
Dr Grainne McKeever, School of Law, University of Ulster	The impact of litigants in person on the Northern Ireland court system: a human rights analysis	216,169	24
Mr Ben Estep, Centre for Justice Innovation	Enhancing problem-solving practice in youth court	155,640	24
Mr Daniel Monk, School of Law, Birkbeck, University of London	Siblings, contact and the law: an overlooked relationship?	150,922	18
Professor Kate Morris, Department of Sociological Studies, University of Sheffield	Exploring the dissemination of lessons from research to the Judiciary	31,280	12

Name	Purpose	Value (£)	Term (m)
Dr Judith Tweedie, Royal College of Physicians	Professionalism and trust	30,000	11
Dr Julia Brophy, The Association of Lawyers for Children	Guidance for judges – children judgments on Bailii	16,900	4
Dr Julie Doughty, Cardiff Law School, Cardiff University	Evaluating the responses to, and effects of, judicial guidance on publishing family court judgments involving children and young people	15,164	6
Ms Sarah Nason, School of Law, Bangor University	Administrative Court Judicial Review – assessing the experiences of litigants in person	9,711	9
Professor Marian Brandon, School of Social Work, University of East Anglia	Additional work on a project to understand men’s perspectives on encounters with the child protection system (project first funded in 2014)	5,235	30
	Cancelled grants	(32,469)	
TOTAL: LAW IN SOCIETY		896,721	
Economic Advantage and Disadvantage			
Professor Mariacristina De Nardi, Institutional Research Information Service	Earnings risk, government policy, and household welfare	246,744	24
Nicky Hodges, Centre for Sustainable Energy	Smart prepayment meters: realising the promise for fuel poor and vulnerable households	99,819	12
Stuart Adam, Institute for Fiscal Studies	The impact of different council tax support schemes on claimants and local authorities	97,445	12
Rebecca Riley, National Institute of Economic and Social Research	Pay determination and labour market outcomes in the UK: The influence of imports from low-wage countries	74,675	12
Dr Silvia Avram, Institute for Social and Economic Research, University of Essex	Risk aversion, earnings uncertainty and labour supply	72,018	24
TOTAL: ECONOMIC ADVANTAGE AND DISADVANTAGE		590,701	

Name	Purpose	Value (£)	Term (m)
Open Door			
Professor Christopher Hood, FBA CBE, All Souls College, University of Oxford	History of the United Kingdom's planning and control of public expenditure	499,996	36
Dr Corine Driessens, Administrative Data Research Centre, University of Southampton	Evaluating the effect of Community Mental Health services on the lives of people with mental health problems in England over a time of economic insecurity	250,000	26
Dr Francesco Fasani, School of Economics and Finance, Queen Mary, University of London	Asylum policies in Europe and the refugee crisis: new empirical evidence for better policy-making?	138,345	24
Professor Meg Russell, The Constitution Unit, University College London	Options for an English Parliament	78,978	12
Tracey Brown, Sense About Science	Benchmarking transparency in government's use of evidence: seeking cross-cutting system and culture change to support initiatives on evidence in policy	42,974	12
	Cancelled grants	(66,002)	
	TOTAL: OPEN DOOR	944,291	
	TOTAL: SOCIAL POLICY	4,013,718	
Education			
Dr Robert Woore, Department of Education, University of Oxford	Developing the teaching of reading in modern foreign languages: can instruction in phonics and reading strategies improve students' progress and motivation in Key Stage 3?	171,675	18
Dr Ed Baines, Department of Psychology and Human Development, UCL Institute of Education, University College London	School break and lunchtimes and young people's social life: a follow-up national study	76,067	16
Dr Victoria Simms, School of Psychology, University of Ulster	Interventions to improve mathematical achievement in primary school-aged children: a systematic review	62,043	19

Name	Purpose	Value (£)	Term (m)
Dr Teodora Boneva, Department of Economics, University College London	The importance of parental beliefs in parental investment decisions	56,591	20
Dr Deborah Wilson, School for Policy Studies, University of Bristol	School choice and equality of opportunity: an international integrative review	29,340	6
Professor Terry Russell, Centre for Lifelong Learning, University of Liverpool	Understanding evolution and inheritance in the National Curriculum KS2–3	23,577	16
Cancelled grants		(43,442)	
TOTAL: EDUCATION		375,851	

Capacity Building

Q-Step Support Programme

Dr Rachel Cohen, Department of Sociology, City University	Q-Step Centre City University London – Year 6	72,404	12
Paul Milner, National Numeracy	Challenge Check-Up for Q-Step	35,000	13
Dr Luke Sloan, Cardiff School of Social Sciences, Cardiff University	Funding for events for secondary level students for the Festival of Social Science 2016	1,000	3
Dr Rachel Cohen, Department of Sociology, City University	Funding for events for secondary level students for the Festival of Social Science 2016	1,000	3
Dr Alison Koslowski, School of Social and Political Science, University of Edinburgh	Funding for events for secondary level students for the Festival of Social Science 2016	1,000	3
Professor Christopher Forde, Leeds University Business School, University of Leeds	Funding for events for secondary level students for the Festival of Social Science 2016	1,000	3
Dr Jackie Carter, School of Social Sciences, University of Manchester	Funding for events for secondary level students for the Festival of Social Science 2016	1,000	3

Name	Purpose	Value (£)	Term (m)
Dr Emma Calvert, School of Sociology, Social Policy and Social Work, Queen's University Belfast	Funding for events for secondary level students for the Festival of Social Science 2016	987	3
Dr John Goldring, Department of Sociology, Manchester Metropolitan University	Funding for events for secondary level students for the Festival of Social Science 2016	930	3
	Cancelled grants	(419,611)	
TOTAL: Q-STEP SUPPORT PROGRAMME		(305,290)	
Nuffield Research Placements			
	1,213 placements	738,157	
TOTAL: NUFFIELD RESEARCH PLACEMENTS		738,157	
Africa Programme			
	Cancelled grants	(5,806)	
TOTAL: AFRICA PROGRAMME		(5,806)	
Oliver Bird Fund			
	Cancelled grants	(24,373)	
TOTAL: OLIVER BIRD FUND		(24,373)	
TOTAL: CAPACITY BUILDING		(402,687)	
TOTAL: GRANTS AWARDED		5,467,602	
TOTAL: GRANTS CANCELLED		(675,346)	
TOTAL: ALL PROGRAMMES		4,792,256	

Outputs and impact in 2016

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IMPACT HIGHLIGHTS

Nuffield-funded projects were influential on the social mobility policy agenda, with eleven examples cited in the Social Mobility Commission's 'State of the Nation' report (page 13).

An independent evaluation of the Nuffield Early Language Intervention found that it improves the vocabulary, grammar and listening skills of four- and five-year-olds by as much as four months (page 14).

Our work on post-16 mathematics informed Professor Sir Adrian Smith's review of post-16 mathematics provision in England, which will be published in 2017 (page 15).

The first ever 'big data' analysis of socio-economic background and graduate earnings revealed that graduates from richer family backgrounds earn significantly more after graduation than their poorer counterparts, even after completing the same degrees from the same universities (page 16).

Leading yoghurt brand Muller halved the sugar content in its children's corner range after the Food Foundation featured it as a case study in its Nuffield-funded Force-Fed report. The report was also influential in the Government's decision to introduce a tax on sugary drinks (page 16).

Over the last five years, Nuffield students have represented the largest cohort of post-16 students winning a place to exhibit at the UK Young Scientist and Engineering competition. In 2016 the competition was won by a Nuffield student for the fifth year in a row (page 18).

Research and innovation grants (comprising grants made under our seven funding programmes: Children and Families, Early Years Education and Childcare, Economic Advantage and Disadvantage, Education, Finances of Ageing, Law in Society and Open Door).

Social mobility

Our impact on the social mobility policy agenda

In November, the Social Mobility Commission published its fourth annual 'State of the nation' report, which referenced eleven different Nuffield-funded projects, demonstrating that the work we fund is having an important impact on policy. The report referenced projects we have funded in relation to: childcare (quality of provision, effects of free provision, proposed changes to the funding formula); inequality (including changes in light of the financial crisis and differences by region and age); trends in school spending and costs and benefits of different teacher training routes; and socio-economic differences in university outcomes and graduate earnings. The inclusion of so many Nuffield-funded projects demonstrates the extent of our impact on the social mobility policy agenda, something that we plan to build on in 2017.

Family justice

Call for evidence on the use of research evidence in family justice

We achieved some key milestones in our project to improve the generation and application of research evidence in the family justice system, a key problem identified in the Family Justice Review. In April we appointed a team from Lancaster University and the Alliance for Useful Evidence to undertake a scoping study that will establish the purpose, functions, and delivery options for a proposed family justice observatory. Professor Karen Broadhurst is leading the team, which launched a UK-wide call for evidence from practitioners, users, researchers and parties to cases in the family justice system. Responses from the consultation were discussed at a seminar held at the Foundation in March 2017, and the study team will make their final report and

recommendations later in the year. The scoping study was funded with a grant of £298,169 in 2016.

Transparency in the family courts

Our work continues to have impact on the ongoing debate regarding the privacy, welfare and safeguarding needs of children in the context of the transparency agenda for family courts. In October, the President of the Family Division of the High Court Sir James Mumby announced he was considering Nuffield-funded guidance to assist judges in better and more consistent anonymisation practices in published judgments concerning children and young people. The draft guidance was produced by Julia Brophy with a grant from the Foundation and supported by the Association of Lawyers for Children. The President will consult on the guidance before deciding whether to incorporate it into his formal guidance to judges.

Early years

Nuffield Early Language Intervention improves skills by up to four months

The Nuffield Early Language Intervention is an evidence-based oral language intervention for children in nursery and reception who show weakness in their oral language skills and who are therefore at risk of experiencing difficulty with reading. It is delivered over 20 or 30 weeks by teaching assistants in groups of 3–4 children. The intervention was developed by a team of researchers from the University of York with funding from the Nuffield Foundation and adapted by researchers at University College London. It was funded by two grants totalling £240,708 awarded in 2009.

An independent evaluation of the Nuffield Early Language Intervention by the Education Endowment Foundation found that it improves the vocabulary, grammar and listening skills of four- and five-year-olds by as much as four months. This is true for both the more expensive, 30-week version, starting in nursery, and the 20-week version, delivered only in school. In light of the positive impact, the EEF are now conducting a larger scale effectiveness trial in over 200 schools, and we have licensed Oxford University

Press to be the delivery partner for the organisation, which will enable a much wider take-up in schools and for more children to benefit.

Children in care missing out on early education

A project addressing the lack of information in looked after children's access to and experience of early years provision found that opportunities to narrow the achievement gap between children in care and their peers are being missed because too many of them do not receive good quality early education places. A series of interviews and case studies coupled with a literature review showed that take-up of free early education places for two, three and four year olds is at least 14 per cent lower among children in care than for children not in care. The research team, led by Sandra Mathers at the University of Oxford recommended that the legal requirement for local authorities to monitor and support the educational progress of looked after children at school should be extended to cover early years as well. The project was funded with a grant of £48,503 in 2015.

We convened a seminar to discuss the implications in December. This also considered the findings in context of another Nuffield-funded project launched in 2015 which revealed that although looked after children lag behind their peers in educational achievement, foster care has a protective effect, and children in foster care do better than children in other forms of care. Together, the two projects begin to provide a more holistic understanding of the educational experience and outcomes of looked after children, something that was recognised as valuable by key policy stakeholders in attendance, including Ofsted and virtual school heads (individuals in charge of promoting the educational achievement of all the children looked after by the local authority they work for).

Primary and secondary education

Out of school activities and educational attainment

In July we convened a seminar to discuss findings and implications from two projects relating to out of school activities and educational attainment. Dr Emily Tanner from NatCen Social Research analysed how 5–11 year olds spend their time, finding that

organised sports and after school clubs can help to improve primary school children's academic performance and social skills. For disadvantaged children, participation in these activities can reduce the socioeconomic 'attainment gap' by two fifths. Dr Nicola Pensiero's study of an older age group found that out of school study programmes are a cost-effective way of increasing attainment, potentially increasing GCSE results by two grades, although only if the programmes are led by qualified teachers. One of the recommendations discussed was for schools to consider directing at least some of their available pupil premium resources to the provision of teacher-led out of school programmes for disadvantaged students as a way to reduce the attainment gap. Dr Emily Tanner's project was undertaken with a grant of £124,927 in 2014 and Dr Nicola Pensiero's (UCL IoE) with a grant of £20,665 made in 2015.

Guidance on using maths in the science curriculum is endorsed by GCSE awarding bodies

A Nuffield-funded guide for science teachers on how to use mathematical ideas within the science curriculum was endorsed by all major GCSE awarding bodies. *The Language of Mathematics in Science: A Guide for Teachers of 11–16 Science* was developed by the Association for Science Education (ASE) and provides an overview of relevant ideas in secondary school mathematics and where they are used in science. It aims to clarify terminology, and indicate where there may be problems in student understanding. The publication includes explanations of key ideas and terminology in mathematics, guidance about good practice in applying mathematical ideas in science, along with a glossary of terms. It was funded by a grant of £32,325 in 2014 and is freely available to download for all teachers from the ASE website.

Review of post-16 mathematics provision in England

We were pleased to contribute to Professor Sir Adrian Smith's review of post-16 mathematics provision in England, which he is undertaking on behalf of the Treasury and the Department for Education. He was particularly keen to discuss the conclusions and recommendations in our 2014 briefing paper, *Mathematics after 16: the state of play,*

challenges and ways ahead, and to find out more about Q-Step, our programme designed to promote a step-change in quantitative social science training. Sir Adrian's review will be published in 2017.

Cost and benefits of different teacher training routes

In November, the IFS published findings from a Nuffield-funded analysis of the costs and benefits of different training routes, revealing that around 40% (around 14,000) of teachers who begin their initial training are not in a state school job five years later. The research also showed the significant variation in the costs to the taxpayer of different training routes. Five years after initial training, the average cost per teacher is £60,000 for Teach First compared to between £25,000 and £44,000 for other routes such as university-based PGCEs or school-based training.

The project was led by Ellen Greaves from the IFS, with researchers from UCL Institute of Education and the National Foundation for Educational Research and funded with a grant of £191,901 in 2013. The research team were invited to present their findings to the Department for Education, and one of their key recommendations is that any changes to the system of initial teacher training should be based on assessments of the costs of each route in comparison to the benefit it brings. We are planning a seminar in 2017 to discuss the implications of this research further.

Higher education

Graduate earnings and family background

In December, we held a conference to engage research and policy stakeholders with findings from two Nuffield-funded projects relating to higher education and social mobility. The conference doubled as a book launch for one of the projects, which analysed several datasets in order to shed light on the drivers of socio-economic gaps in higher education participation and to suggest what might be done to reduce them. The project was undertaken by Professors Lorraine Dearden and John Micklewright from the UCL Institute of Education, Dr Claire Crawford from the IFS, and Professor Anna Vignoles from the University of Cambridge. The research concluded that the best option for reducing the

socio-economic gaps in university access is to focus on increasing the attainment of students from poorer backgrounds at GCSE. The project was funded by a grant of £149,660 in 2011 and the book, *Family Background and University Success*, is published by Oxford University Press.

The second project discussed at the conference analysed anonymised tax data and student loan records for 260,000 students up to ten years after graduation. It found that graduates from richer family backgrounds earn significantly more after graduation than their poorer counterparts, even after completing the same degrees from the same universities. This is the first time a 'big data' approach has been used to look at how graduate earnings vary by institution of study, degree subject and parental income. Graduates from richer backgrounds (defined as being from approximately the top 20% of households of those applying to higher education in terms of family income) did better in the labour market than the other 80% of students, with an average earning gap of £8,000 for men and £5,300 for women. The project was undertaken by Professor Anna Vignoles, Professor Neil Shepherd from Harvard University, Professor Lorraine Dearden, and Jack Britton from the IFS. It was funded by a grant of £163,601 in 2013. The team were subsequently invited to present their findings to the Minister of State for Universities, Science, Research and Innovation.

Videos from the presentations and panel discussion at the conference are available on our website.

Public engagement with policy and evidence

Expertise, transparency and trust

In a year which has seen political challenge to the fundamental notion of 'expertise', we have been working with the charity Sense about Science to consider how we might create a better landscape for improving public engagement in the interpretation of evidence. We commissioned RAND Europe to provide an overview of emerging trends and social changes which may affect the way in which the British public understand and engage with the political process, policymaking, services and information sources, and the role of evidence and expert opinion within this. The report informed a workshop we convened in October to debate

these issues, and which included input from those at the 'sharp end' of service delivery, such as key regulatory bodies and local authorities.

Another strand of the project – which we funded with a grant of £42,974 – was to benchmark transparency in the government's use of evidence, or more simply to answer the question: 'Can someone outside government work out what the government is proposing to do, and why?' Reporting in December, the review found that the public and researchers would struggle to follow the government's reasoning, with standards of transparency varying widely between and within departments. Acknowledging some examples of good practice, the authors concluded that it was particularly worrying that policies announced in the Budget and Autumn Statement are unclear on the thinking behind them. Sense about Science will continue this work in 2017, working with the Alliance for Useful Evidence and Institute for Government to score and rank departments on their evidence transparency.

Soft drinks tax, food insecurity and peas please

We are one of the founding donors of the Food Foundation, an independent think-tank that tackles the growing challenges facing the UK's food system in the interests of the UK public. Its first report, *Force-Fed: Does the food system constrict healthy choices for typical British families?* called for cross-government action to curb the worst effects of the food environment and to incentivise the food system to make healthy-eating easier. The report used the example of a leading yoghurt brand (Muller Corner) to illustrate some of the challenges around processed foods (in this instance the high sugar content). It attracted significant media coverage, and a few months later, Muller announced that it would halve the sugar in its children's corner range.

The Force-Fed report also presented the evidence in support of a tax on sugary drinks, a policy subsequently adopted by the government in the 2016 Budget (the Soft Drinks Industry Levy). Another of its campaigns centred on household food insecurity (or food poverty), revealing that 8.4 million people in the UK have insufficient food. The Food Foundation's parliamentary briefing on this topic

secured parliamentary questions and a backbench debate on the subject. An ongoing initiative, Peas Please, aims to secure commitments from industry and government to improve the availability, acceptability (including convenience), affordability, and quality of the vegetable offer in shops, schools, fast food restaurants and beyond, and in turn stimulate increased vegetable consumption among the UK public, particularly children and those on a low income.

We originally awarded a grant of £173,522 to the Food Foundation in 2015 and awarded an additional £419,000 in 2017.

Impact of system reform

'No win, no fee' claims for clinical negligence

In January we published a report by Paul Fenn at the University of Nottingham revealing that the growth in lawyers working on a 'no win, no fee' basis has removed the financial barrier to pursuing a clinical negligence claim for many people, but that a small number of serious cases may be falling through the funding gap. For example, the proportion of those in the middle-income group who pursued claims following an adverse event increased from less than 4% in 2001 to 22% in 2013. However, the researchers also identified a possible reluctance on the part of 'no win, no fee' lawyers to consider high risk, high value claims, such as those involving serious injury to children. These cases are no longer eligible for Legal Aid and if no win no fee lawyers do not take them on then these families may effectively be denied legal recourse. This evidence provides a benchmark against which the longer-term effects of legal aid reform can be measured, as well as establishing an approach that could be used to assess the impact of the reforms in other areas of the law. The project was funded with a grant of £124,979 in 2012.

Care and State pension reform

A project led by Professor Ruth Hancock at the University of East Anglia to examine the likely combined effects of major reforms to both state pensions and long-term care made its final report in December. Looking at who will gain and who will lose from the reforms, the researchers identified that home-owners and people on higher incomes

will gain the most from both sets of reforms. Those on lower incomes who rent will lose more in means-tested benefits than they gain in state pension income. They also identified regional differences, with predictions that the care funding system in England will still be less generous than those in Wales and Scotland for all but those who have long-term residential care needs. The project was funded with a grant of £218,257 in 2014.

Student Programmes

Q-Step

Q-Step is a £19.5 million programme to promote a step-change in undergraduate quantitative social science training in the UK. Since 2013, eighteen universities across the UK (15 Q-step Centres and three Q-Step Affiliates) have been delivering new courses, work placements and pathways to postgraduate study. Q-Step is co-funded by the Economic and Social Research Council (ESRC) and the Higher Education Funding Council for England (HEFCE).

In 2015/16 almost 700 new undergraduate students began Q-Step degree programmes and over 5,000 were enrolled on one or more Q-Step modules. In order to help drive student recruitment, we have published a Q-Step prospectus to market the benefits of the programme more directly to students. We are also working with the Universities and Colleges Admissions Service (UCAS) to embed Q-Step content in student marketing channels.

Mid-term review

During 2016 we undertook an internal mid-term review of Q-Step which will inform the development of the final evaluation, to be commissioned in 2017. In terms of sustainability, we noted some positive developments, including commitment from universities to maintaining the new posts beyond the end of the programme, the 'close fit' of Q-Step with university strategies in relation to big data, analytics and employability, and the positive feedback on work placements from both students and employers. We also found that Centres have successfully developed links to the emerging ESRC doctoral training partnerships (DTP).

However, student recruitment, although rising, was still below target, and contributing factors included applicants being unfamiliar with the new courses, slow validation of programmes/modules, and a delay in integrating the Q-Step offer with university marketing and recruitment. We expect both recruitment to Q-Step modules and Q-Step degree programmes to increase in 2017/18. The mid-term review identified seven themes which will help us embed quantitative approaches in social science degrees:

- Marketing of programmes.
- Student tracking.
- Developing a Q-Step graduates 'ambassadors' network.
- Defining benchmarks and enhanced pedagogy in quantitative skills.
- Establishing networks and interest groups to tackle particular programme themes.
- Enhanced management and leadership in higher education.
- Managing teaching quality as programmes expand.

We are developing these themes and additional activities to secure sustainability, steered by a Q-Step Strategy Board.

Nuffield Research Placements

Nuffield Research Placements (NRPs) are designed to encourage more young people, particularly those from less well-off backgrounds, to choose further study and careers in science (including social science), technology, engineering and maths (STEM). They provide year 12 (or equivalent) students with the opportunity to spend their summer holidays working on a research project in a professional environment. Students are recruited by a network of regional coordinators across the UK.

In 2016 we supported 1,213 students, meeting our goal to increase the number supported the previous year (1,164). All students have their travel costs paid, reducing financial barriers to participation,

and those from the most disadvantaged backgrounds receive an additional bursary. The proportion of students who received a full bursary in 2016 was 50%, up from 46% in 2015. Forty-nine per cent of students who completed a placement will be the first people in their family to go to university.

We were pleased to be able to offer 30 students research projects with Lunar Mission One, a crowdfunded mission to the Moon's South Pole due to launch in 2024. We targeted these placements at students living in remote areas, who can find it difficult to access on-site projects.

Engagement with researchers and Centres for Doctoral Training

This year we ran a pilot with the Materials for Demanding Environments (M4DE) Centre for Doctoral Training to host Nuffield students at the University of Manchester. The Nuffield students carried out five projects related to PhD students' areas of research in material science. Feedback from both Nuffield and PhD students was very positive, and as a result the Centre has made hosting a Nuffield student a required part of a PhD student's outreach activities. In 2017 we will look for opportunities to expand the pilot with other doctoral training centres.

Developing a Nuffield alumni community

This year we celebrated 20 years of Nuffield Research Placements. During this time, over 16,000 students have participated in the programme. In May, we contacted as many as we could to invite them to join our alumni community. We received a very positive response, with many alumni providing case studies of their progression following their placement, and 155 expressing an interest to host a Nuffield student in 2017. We are now supporting a number of alumni to become ambassadors of the programme and undertake outreach activities with pre-16 students to encourage uptake of STEM and social science courses. To this end we are hosting a series of workshops to train alumni in outreach and public engagement techniques.

Longitudinal study

We have commissioned Frontier Economics and CFE Research, two independent research organisations, to

carry out a longitudinal study to evaluate the impact of NRPs, specifically to:

- Track the progress of students who undertook a placement in 2014, 2015 and 2016 to evaluate and understand the impact of the programme on education and employment outcomes.
- Provide insights into the views and experiences of providers, supervisors, schools/colleges and students.
- Identify and develop a set of impact measures which can be implemented as the project continues.

The study also presents an opportunity to contribute more widely to policy work on the impact of independent research projects and reforms to the assessment of practical work at GCSE and A-level. The study will form a critical component of our work and emerging findings in 2017 will begin to shape the future direction of the programme.

Prizes and awards

Over the last five years, Nuffield students have represented the largest cohort of post-16 students winning a place to exhibit at the UK Young Scientist and Engineering competition. During this time, 57 Nuffield students have gone on to win 59 top prizes at the competition, and in 2016 Roxanne El-Hady from Ricards Lodge High School won Young Scientist of the Year, the fifth year in a row that the title has been won by a Nuffield student.

Plans for 2017

In 2017 we will use more contextual data on student demographics to enhance our ability to reach more disadvantaged students. We will also work to develop more strategic relationships with Multi-Academy Trusts and with University Technical Colleges so that we can coordinate delivery of NRPs more efficiently into groups of schools. On the supply side, we will be working to increase the number of placements we can offer by strengthening our relationship

with universities (where 75% of placements are hosted) and demonstrating the benefit of providing placements to fulfilling their outreach and widening participation agendas.

Nuffield Council on Bioethics

The Nuffield Council on Bioethics examines and reports on ethical issues in biology and medicine. It was established by the Trustees of the Nuffield Foundation in 1991, and since 1994 has been funded jointly by the Nuffield Foundation, the Wellcome Trust and the Medical Research Council. The Council is legally part of the Nuffield Foundation, which employs the Council's secretariat, but operates independently.

In September, the Council published *Genome editing: an ethical review*. The review considers the impact of recent advances in genome editing, and the range of ethical questions to which they give rise. It identifies two areas of possible application that it was felt the Council should consider as a matter of priority in its further work on genome editing: human reproduction and animals for food production. A Working Party on the former has already begun its deliberations and work on the latter will begin in 2017.

Two other major projects are well underway and will report in 2017: one relating to the ethical and policy implications of developments in non-invasive prenatal testing (NIPT), and another that is considering ethical issues in cosmetic procedures.

During 2016 the Council also held a series of workshops to explore topics for future inquiries including: the ethical, social and policy issues raised by research that seeks to slow or prevent the biological processes of ageing; the ethical challenges of conducting research in the context of global health emergencies; and whether there is sufficient reason to review the legal time limit for maintaining human embryos in culture, often referred to as the '14 day rule'.

All these projects and more are reported on in detail in the Council's own annual report, available on its website, www.nuffieldbioethics.org.

Financial review

During 2016 the Foundation achieved three important milestones: the value of its net assets reached an all time high of £369m, an increase after spending of £62m in the year. Second, this in turn led to our decision to withdraw £20m of capital gains to form a strategic reserve to fund additional spending plans over the next four years or so. Third, we were able to commit sufficient funds during the year to bring our Unrestricted Expenditure Reserve back within its target range of +/-£2m for the first time in several years.

Over the last few years, the Foundation has been in the happy position of enjoying some extraordinary and unexpected investment returns, not all of which will be permanent. In order to maintain continuity we have persisted with our policy of spending 4.5% of our target value of the endowment (rather than 4.5% of the market value). As a result, our 2.7% spending rate for 2016 is substantially lower than we planned when we set this spending method. As we explain below, the rapidity of the increase in our net assets has presented challenges for us in finding a sustainable way of increasing our level of spending to match it. A charity like ours takes time to commit money to new projects partly because the quality assurance we require means that the tap cannot be turned on and off quickly. As a result, we place a premium on stable expenditure and have designed our financial planning accordingly.

Nevertheless, we are keen to maintain a high level of expenditure to support our objectives and so during the year we agreed to liquidate £20m of surplus investment returns and spend them over the next four years or so. This comprises £17.9m of unrestricted funds and £2.1m of restricted funds. We did this instead of changing the regular amount we draw from the endowment because of the potential for introducing unwelcome instability into our spending. This transfer of capital to income should be equivalent to increasing our spending rate to 5% a year for the next four years based on the current endowment values and spending plans. We consider this approach to be both sensible, sustainable and consistent with our financial objectives.

These Financial Statements have been prepared using the 2015 Statement of Recommended Practice for Charities (SORP), which does not allow us to explain adequately how much of our investment gains we have earmarked for spending in 2016 and how much we decided to retain to preserve the endowment for the future. Consequently, we have set out an alternative presentation below to explain better what we planned to spend, and how we spent it. **Table I** is based on the pro forma Statement of Financial Activities (SOFA) but excludes the capital items such as investment fees and the investment gains we retain to protect the endowment from inflation (see our Reserves Policy below).

Table 1: 2016 Income results

	Reference	2016	2015
		£000s	£000s
Funding			
Investment Income		6,381	5,756
Capital converted to income		4,881	5,257
TOTAL RETURN AVAILABLE FOR THE YEAR		11,262	11,013
Restricted income	Note 2	891	831
Unrestricted income	Note 2	71	50
TOTAL FUNDING AVAILABLE		12,224	11,894
Less running costs		(1,383)	(1,492)
AVAILABLE FOR PROGRAMME DELIVERY		10,841	10,402
Communications, public engagement and grant management.		729	582
In house programmes		1,819	1,956
Research & Innovation grants		4,411	3,748
TOTAL PROGRAMME DELIVERY EXPENDITURE		6,959	6,286
Net surplus for the year		3,882	4,116
Expenditure Reserve at 1 January		3,523	(593)
Creation of Strategic Reserve	Note 10	20,000	–
		27,405	3,523
To support future spending			
General and Strategic funds (restricted)		4,224	1,032
Designated Strategic fund (unrestricted)		17,911	–
Other designated funds (unrestricted)		642	–
Conditional grants awaiting approval		3,286	–
General fund		1,342	2,491
		27,405	3,523

Although we allocated our full budgets for the year, 15 grants (worth £3.3m) which we agreed in 2016 will not appear as a cost until 2017 because final negotiations with the recipients had not been completed at the year end (and therefore do not qualify as SORP expenditure). Consequently, our expenditure is lower than planned although the combination of our actual 2016 expenditure and these provisional grants would have more than fully spent our funding for the year. In order not to prejudice our 2017 plans, we have added £3.3m to the 2017 budget.

Referring to **Table I**, available funding for the year was £12.2m (2015: £11.9m), of which £4.9m (2015: £5.3m) was allocated from capital gains as part of our total return policy. In addition, we were delighted to receive £0.9m (2015: £0.8m) to support a number of co-funded programmes and projects including Q-Step, the Nuffield Council on Bioethics and Nuffield Research Placements. We would like to thank our important donors to these co-funded programmes – the Wellcome Trust, the MRC, the ESRC, RCUK, Royal Society of Chemistry, Society for General Microbiology and Veritas Asset Management.

There was a 4% increase in funding available for programme delivery to £10.8m (2015: £10.4m), due to a combination of higher income and reduced running costs. Our running costs declined from 12.5% of Funding Available to 11.3% in 2016. We deliberately spent more on communications, public engagement and grant management in 2016 following a recruitment programme to build up our grant-making capability to ensure full spending on high quality projects in line with our grant-making policy. The costs of our in-house programmes (Q-Step, Nuffield Research Placements and the Nuffield Council on Bioethics) was lower than 2015 because of a reorganisation of the Q-Step programme resulting in some cost being deferred to future years. Funding for Research and Innovation grants increased by £663k (18%) to £4.4m which was only marginally higher than 2015 (£3.7m) but if the conditional grants had been included, the increase on 2015 would have been more than double.

Table I shows the year ended with a total surplus of £3.9m (2015: £4.1m), and an unrestricted fund worth £23m (2015: £2.5m). The two principal restricted funds (the Commonwealth Relations Trust and the Oliver Bird Fund) are now worth £4m

(2015: £1.0m) which has arisen because of their surplus for the year, as well as the £2.1m restricted part of the £20m Strategic Fund. The remainder of the Strategic Fund (£17.9m) has been designated to support new spending in the next four or so years. After excluding the conditional grants outstanding at the year end (£3.3m), the General Expenditure Reserve is now back within our desired range of +/-£2m at £1.3m.

Accounting for total returns and reserves policy

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

Our reserves policy is driven by two components – one to monitor short-term reserves arising from annual under and over spends, the other to monitor the long-term health of the Foundation. The short-term policy is to keep the General Unrestricted Expenditure Reserve between -£2m and +£2m to ensure that everything made available for distribution is recognised as such. At the end of the year it was worth £1,342k, comfortably within the desired range.

The Restricted Expenditure Reserve comprises several restricted funds and these are all now accumulating income as we develop plans for suitable expenditure programmes. At the end of the year, it was worth £4,224k, representing a combination of surplus income for the year together with the £2.1m share of the £20m Strategic Fund.

The Unrestricted Expenditure Reserve was worth £23.2m. This includes the unrestricted and Designated part of the new Strategic Fund (£17.9m) which we intend to spend over the next four years or so on advancing our strategic priorities as well as other Designated funds. Once the £3,286k of conditional grants agreed in 2016 are excluded, the general fund has returned to within its target range of +/-£2m.

The second part of our policy reflects how we seek to preserve the endowment's value. The 'core endowment' represents the part of the assets we seek to maintain in real terms. It is based on the value

of the endowments at 31 December 2003 together with an allowance for subsequent inflation; this real value of the endowment is shown in **Table 2** as the 'target value at 31 December 2016'. 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. However, we expect a portfolio like ours to be volatile in a normal range of +/- 16% of the target value. The 'allowance for market volatility' simply reconciles the target value with the actual value of the endowment shown on the balance sheet. Setting these upper and lower ranges enables us to identify when the endowment has drifted too far from its target value. This happened in 2016 when

the market value of the endowment was significantly in excess of its normal range so we decided (after taking professional advice) that we could spend an additional £20m from the endowment without material risk to its long term future. We therefore moved £20m out of the endowment and into the Expenditure Reserve.

Notwithstanding this at 31 December 2016 the market value of the endowment still represented 129% of its target value (2015: 117%), meaning that the Foundation's long-term reserves at the end of 2016 were considerably above the upper range of 116%, even after transferring £20m to the Expenditure Reserve.

Table 2: Reserves position

£000s	Lower limit	31/12/2016 Actual	Upper limit
Core endowment			
'Preserved Value' at 31 December 2003		188,311	
Allowance for inflation		77,140	
Target Value at 31 December 2016	223,176	265,451	308,195
Allowance for market volatility		76,120	
ENDOWMENT TOTAL	223,176	341,571	308,195
Expenditure Reserve			
Restricted funds		4,224	
Designated funds		18,553	
Conditional grants		3,286	
General funds	(2,000)	1,342	2,000
TOTAL FUNDS		368,976	

Investment management and governance

In November 2015 we decided to cease hedging the currency exposures in our equity portfolio because of the unpredictable cash flows created. As a result, the investment portfolio had over 70% of its assets invested outside the UK at the time of the vote to leave the European Union. The sudden fall in the value of sterling delivered a powerful uplift to our holding of overseas assets, helping to generate a return of 22% for the year (2015: 7.9%). This was

5% less than our benchmark due to the sale of £35m of equities in late 2015 as part of a de-risking process. Toward the end of 2016 we reintroduced our currency hedging policy as a temporary measure until sterling recovers to a more normal value.

Since inception in 2003, the portfolio has generated 10% a year net of fees, 7.4% a year higher than our inflation benchmark but 0.4% below our composite benchmark of 90% in global equities and 10% in short dated gilts.

Table 3: Investment performance

Total Returns (%)	1 Year	3 Years	5 years	10 years
Nuffield Foundation (net of fees)	21.7	14.3	14.0	7.7
Bespoke Benchmark (gross of fees)	26.5	13.1	13.7	8.1
ARC Charities (net of fees)	12.6	6.3	8.8	–
Key				
Nuffield Foundation	Actual performance			
Bespoke Benchmark	90% MSCI ACWI; 10% UK 1–5 year Gilts			
ARC	Sterling Steady Growth Charity Index			

Structure, governance, and management

The Trust Deed

The Nuffield Foundation is a charity registered with the Charity Commission (206601). It was established by Trust Deed on 9 June 1943 by Lord Nuffield. 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.' In 2016 we amended the Trust Deed as part of a review of governance; three procedural alterations were made to improve the functioning of the Board.

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

Trustees

The Foundation has seven Trustees (we act jointly as a corporate body created under the powers now in the Charities Act 2011). Trustees are appointed by other Trustees and it was agreed during the year to reduce the standard tenure of a Trustee to a maximum of two five year terms. Trustees meet four times a year and retain overall responsibility for all activities of the Foundation. During the year we have completed a set of Board procedures describing how we apply the more general provisions of the Trust

Deed including our current interpretation of the Objects (described above). All strategic and policy decisions are taken by Trustees collectively and we are advised by the following committees:

- **Investment Committee** (includes three Trustees and two independent investment professionals): considers the Foundation's asset allocation and monitors investment performance, and can appoint and dismiss investment managers.
- **Audit and Risk Committee** (includes two Trustees and an independent accountant): responsible for the process leading to the preparation of the annual financial statements (and their assumptions), the control environment, and the detailed consideration of risk including the Global Custodian's performance.
- **Staff and Remuneration Committee** (comprising two Trustees): charged with oversight and development of the Foundation's staffing policies.
- **Nominations and Governance Committee** (comprising three Trustees): examines the way the charity is governed, and recommends changes to Trustees. It also identifies potential new Trustees.

A 'Panel for Trustee Remuneration' periodically reviews the remuneration of Trustees and makes recommendations to us. We appoint the Chair of the Panel but otherwise the Panel operates independently. We set terms of reference for all committees and panels, and parameters for the delegation of authority to senior staff. Senior staff set further levels of delegation for operational matters. New Trustees receive an induction, including a series of meetings with other Trustees and senior staff, and a *Handbook for Trustees*, containing information about procedures, committees, meetings, decision-making, and financial procedures at the Nuffield Foundation.

Organisational structure and management of the Foundation

The Foundation employs 33 full-time equivalent staff including those who make up the secretariat of the Nuffield Council on Bioethics (a body that is legally part of the Foundation, but which has policy independence and whose staff are employed by the Foundation). A senior management team, comprising the Chief Executive, Finance Director, Director of Education, Director of Social Research and Policy, and Head of Human Resources and Office Services is responsible for the management of the Foundation and for advising Trustees on strategic and operational matters.

Trustees are responsible for grant-making decisions at meetings, although these may be delegated according to agreed procedures. The Foundation is a Living Wage Employer accredited by the Living Wage Foundation.

Risk management statement

We are responsible for the management of risks with detailed consideration of some matters delegated to the Audit and Risk Committee, supported by senior staff. During the year we had an in-depth discussion about the strategic risks facing the Foundation and our appetite for risk in different areas. The strategic risks are:

- Do we have a purpose that is clearly communicated and distinct from other organisations operating in our space?
- Are we funding the highest quality and most relevant work to advance our purpose efficiently and effectively?
- Does our funding have the appropriate impact on policy and practice?
- Will our investment strategy secure the long-term future of the Foundation? Will it provide adequate returns and liquidity to enable the Foundation to meet its obligations as they arise?

- Is our spending properly planned, controlled, reported and monitored? Are budgets regularly met with no surprises?
- Do we have fit for purpose HR policies and practices? Do we have up to date and lawful policies to recruit and develop well managed and knowledgeable people, accompanied by clear succession planning?
- Is our infrastructure safe for staff and visitors, fit for purpose and with adequate business recovery provision? Is it appropriate for our ways of working, and our reputation as a charity?
- Is our governance fit for purpose, alive to challenge and in line with best practice?
- Are we subject to 'group think'?

The main mitigations we have pursued over the last twelve months have related to strategy and impact, de-risking our investments, grant management and resilience. A new strategy is now in place providing a good context for risk management. Various mapping exercises are underway focussing on different networks of stakeholders or funders together with a major systems review and we are benchmarking our costs. New governance frameworks have been built around two large programmes (Nuffield Council On Bioethics and Q-Step). Senior staff continue to manage operational risks on a day-to-day basis. We are satisfied that the major risks identified through the risk management processes are adequately managed.

Statement of grant-making policy

All grants made under our major grant programmes are peer reviewed by independent referees, who include representatives from the policy and practice worlds, as well as research experts. We are grateful to all those who assist the Foundation in this process. Final decisions on these applications are made by Trustees. Nuffield Research Placements are awarded via a network of regional coordinators who allocate funding in line with agreed criteria.

Details of available funding and the application process for each programme are published on our website. We require ethical scrutiny of proposals involving primary research, and evidence of a commitment to the communication and dissemination of research findings. Most projects benefit from strong advisory groups which offer a range of technical, subject, policy and practice expertise. Grant-holders are required to submit an end-of-project assessment, with interim reports required for all but the shortest grants. All projects are expected to produce at least one public output setting out how their funds were used and what was achieved.

Statement of policy on staff remuneration

We aim to recruit and retain able staff to deliver the operational activities of the organisation. Staff are paid on a spine point scale according to the responsibility their post entails. Pay is increased using two thirds of the increase in national average earnings and one third of the increase in retail inflation. We do not pay bonuses or other variable rewards. Periodically, staff pay is independently benchmarked to external comparators and this work took place again in 2016. The results confirmed that the existing system was fair and consistent with the benchmark posts chosen. Details of senior staff pay are contained in Note 4 to the accounts.

Statement of policy on fundraising

Section 162a of the Charities Act 2011 requires us to make a statement regarding fundraising activities because we have an external audit. We do not undertake any fundraising activities, although we can accept offers from partners to contribute to work that we undertake. We show these sums in our accounts as "voluntary income". We do not use professional fundraisers or 'commercial participators' or indeed any third parties to solicit donations. We are therefore not subject to any regulatory scheme or relevant codes of practice, nor have we received any complaints in relation to fundraising activities

nor do we consider it necessary to design specific procedures to monitor such activities.

Statement of Trustees' responsibilities

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

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

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charity's transactions and disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Charities Act 2011. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Financial statements are published on the Foundation's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Foundation's

website is the responsibility of the Trustees. The Trustees' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Approved by the Trustees on 12 May 2017 and signed on their behalf by:

A handwritten signature in black ink that reads "David Rhind". The signature is written in a cursive, slightly slanted style.

Professor David Rhind
Chair

Independent auditor's report to the Trustees of Nuffield Foundation

We have audited the financial statements of Nuffield Foundation for the year ended 31 December 2016 which comprise 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 auditors

As explained more fully in the statement of Trustees' responsibilities, the Trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

We have been appointed as auditors under section 144 of the Charities Act 2011 and report in accordance with regulations made under 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 Financial Reporting Council's (FRC'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 FRC's website at www.frc.org.uk/auditscopeukprivate.

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 2016 and of the charity's incoming resources and application of resources, including the income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the 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 requires us to report to you if, in our opinion:

- the information given in the Trustees' 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

Fiona Condron (senior statutory auditor)
For and on behalf of BDO LLP, *Statutory Auditor*,
Gatwick, United Kingdom:

Date: 15 May 2017

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Financial statements

Statement of financial activities

	Note	Unrestricted Funds	Restricted Funds	Endowed Funds	Total Funds 2016	Total Funds 2015
		£000s	£000s	£000s	£000s	£000s
Income and endowments						
Donations and legacies	2	20	891	–	911	831
Charitable activities		40	–	–	40	32
Investment income	6	5,715	409	257	6,381	5,756
Other income		11	–	–	11	18
TOTAL INCOME		5,786	1,300	257	7,343	6,637
Expenditure on:						
Raising Funds:						
Investment management costs		–	–	1,673	1,673	1,782
Charitable activities						
Social policy		4,460	150	–	4,610	3,001
Capacity building		1,578	(1)	–	1,577	1,376
Education		712	270	–	982	1,763
Nuffield Council on Bioethics		631	542	–	1,173	1,638
TOTAL EXPENDITURE		7,381	961	1,673	10,015	9,560
Net gain in investments		–	–	64,137	64,137	19,943
NET INCOME/(EXPENDITURE)		(1,595)	339	62,721	61,465	17,020
Transfers between funds		22,283	2,855	(25,138)	–	–
NET OUTGOING RESOURCES after transfers		20,688	3,194	37,583	61,465	17,020
NET MOVEMENT IN FUNDS		20,688	3,194	37,583	61,465	17,020
Reconciliation of funds						
Total fund brought forward at 1 January		2,493	1,030	303,988	307,511	290,491
TOTAL FUNDS CARRIED FORWARD AT 31 DECEMBER		23,181	4,224	341,571	368,976	307,511

STATEMENT OF FINANCIAL ACTIVITIES	2015	2015	2015	2015
Comparative information	Unrestricted Funds £000s	Restricted Funds £000s	Endowed Funds £000s	Total £000s
Total income	5,206	1,199	232	6,637
Total expenditure	(6,722)	(1,056)	(1,782)	(9,560)
Transfers between funds	4,709	780	(5,489)	–
Net gains in investments	–	–	19,943	19,943
NET MOVEMENT ON FUNDS	3,193	923	12,904	17,020

Balance sheet

	Note	2016	2015
		£000s	£000s
Fixed Assets			
Tangible fixed assets	5	5,395	5,411
Investments	6	383,363	322,541
Programme related investments	6	100	100
		388,858	328,052
Current Assets			
Debtors	7	4,809	6,221
Bank and cash		686	1,161
		5,495	7,382
Liabilities: Amounts falling due within one year			
Provision for grants payable	8	(16,559)	(18,613)
Creditors	9	(1,191)	(929)
		(17,750)	(19,542)
NET CURRENT LIABILITIES		(12,255)	(12,160)
Liabilities falling due after one year			
Provision for grants payable	8	(7,627)	(8,381)
NET ASSETS		368,976	307,511
Funds			
Unrestricted funds			
Designated fund	11	18,553	–
General fund	11	4,628	2,493
		23,181	2,493
Restricted funds		4,224	1,030
Endowed funds		341,571	303,988
TOTAL FUNDS		368,976	307,511

Notes 1–12 form part of these financial statements.

These financial statements were approved by the Trustees on 12 May 2017 and were signed on their behalf by:



Professor David Rhind
Chair

Statement of cash flows

	Note	2016	2015
		£000s	£000s
Net cash flows from operating activities			
Net cash used in operating activities		(10,047)	(4,119)
Cash flows from financing activities			
Disinvestment from portfolio	6	3,315	4,848
NET CASH PROVIDED BY FINANCING ACTIVITIES		3,315	4,848
Cash flows from investing activities			
Payments to acquire tangible fixed assets	5	(124)	(29)
Investment income	6	6,381	5,756
NET CASH PROVIDED BY INVESTING ACTIVITIES		6,257	5,727
Change in cash and cash equivalents in the year		(475)	700
Cash and cash equivalents at 1 January		1,161	461
Cash and cash equivalents at 31 December		686	1,161
Reconciliation of net income/(expenditure) to net cash flows from operating activities			
Net income/(expenditure) for the year		61,465	17,020
Adjustments for:			
Depreciation	5	140	123
Investment income		(6,381)	(5,756)
Gains on investments		(64,137)	(19,943)
Decrease in grant commitments		(2,808)	(2,475)
Increase in creditors		262	264
Decrease in debtors		1,412	892
NET CASH OUTFLOWS FROM OPERATING ACTIVITIES		(10,047)	(9,875)

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 financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting and Reporting by Charities issued on 16 July 2014 and the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102) 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, probable 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 make an unconditional offer of a grant to the applicant.

'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.

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 bid price 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.

h. Financial instruments

The Foundation has financial assets and financial liabilities of a kind that qualify as basic financial instruments apart from the derivative instruments held. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value.

i. Fixed assets

The leasehold property at 28 Bedford Square, together with subsequent additions and furnishings, is stated at market value as determined by Trustees and is depreciated over the remainder of the life of the lease. A professional valuation is obtained every five years. Art and Antiques are based on a frozen valuation (conducted 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

j. Total Return Accounting

The Charity Commission permitted the Foundation to adopt the use of total return in relation to its permanent endowment on 7 February 2006. The power permits the Trustees to invest permanent endowments to maximise total return and to make available an appropriate portion of the total return for expenditure each year. Until this power is exercised the total return shall be an 'unapplied total return' and remain as part of the permanent endowment. The Trustees have decided that it is in the interests of the Foundation to present its expendable endowment in the same manner in Note 10, although there is no legal restriction on the power to distribute the expendable endowment.

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

k. Fund accounting

Unrestricted funds are donations or other income received or generated for the objects of the charity without further specified purpose and is 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.

l. Pension costs

Pension costs are charged as they are incurred.

m. Estimates and judgements

The actual lives of tangible fixed assets and their residual values are assessed annually. In re-assessing asset lives, factors such as economic and future market conditions are considered as is the remaining life of the asset and projected disposal values.

The carrying value of investments are subject to estimates, assumptions and judgements of their fair value. In determining this amount, the Charity follows the International Private Equity and Venture Capital Valuation Guidelines, applying the overriding concept that fair value is the amount for which an asset can be exchanged between knowledgeable willing parties in an arm's length transaction. The nature, facts and circumstance of the investment drives the valuation methodology.

Derivatives are measured at fair value (mark-to-market) at each reporting date. Each instrument's mark-to-market is calculated with reference to mid-market rates.

2. Income from:

	2016			2015		
	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
	£000s	£000s	£000s	£000s	£000s	£000s
Donations and legacies						
Grants received in support of:						
Nuffield Council on Bioethics	–	542	542	–	594	594
Children and Families	–	–	–	–	60	60
Open Door	–	150	150	–	–	–
Q Step	–	3	3	–	11	11
Nuffield Research Placements	–	196	196	–	165	165
General donations	20	–	20	1	–	1
	20	891	911	1	830	831
Charitable activities						
Sales, royalties and fee income	40	–	40	32	–	32
Other income	11	–	11	18	–	18
TOTAL INCOME	71	891	962	51	830	881

3. Charitable expenditure

	Direct costs		Support and governance costs	Total 2016	Total 2015
	Grants	Other			
	£000s	£000s	£000s	£000s	£000s
Social Policy					
Early Years Education and Childcare	1,278	–	–	1,278	466
Children and Families	304	137	159	600	621
Law in Society	897	118	106	1,121	1,201
Finances of Ageing	–	9	–	9	24
Economic Advantage & Disadvantage	590	14	–	604	399
Open door	944	36	18	998	290
	4,013	314	283	4,610	3,001
Education					
Education grants	376	253	353	982	1,763
	376	253	353	982	1,763
Capacity building					
Africa Programme	(6)	7	9	10	(146)
Q-Step	(305)	248	238	181	296
Oliver Bird Rheumatism Programme	(24)	61	22	59	111
Nuffield Research Placements	738	324	265	1,327	1,115
Closed programmes	–	–	–	–	–
	403	640	534	1,577	1,376
Other activities					
Nuffield Council on Bioethics	–	814	359	1,173	1,638
TOTAL CHARITABLE EXPENDITURE	4,792	2,021	1,529	8,342	7,778

The remuneration of the Auditors for the year was £23,950 (2015: £25,620).

Post Balance Sheet event

At the year end grants worth £3,286k had been conditionally approved by Trustees but not formally communicated to the recipients. These grants were formally confirmed in quarter 1 2017.

4. Personnel costs

	2016	2015
	£000s	£000s
Wages and salaries	1,828	1,809
Social security costs	193	193
Other pension contributions	185	235
	2,206	2,237

Average number of staff employed in year:	Number	Number
Grant-making	13.0	11.5
Nuffield Council on Bioethics	11.5	11.5
Support services	13.5	11.5
	38.0	34.5

Remuneration of higher paid staff

Between £80,000 and £89,999	3	4
Between £90,000 and £99,999	2	1
Between £100,000 and £109,999	–	–

Employer's pension contributions for higher paid staff were in total £51,974. Termination payments of £61k were made during the year.

The Nuffield Foundation paid contributions during the accounting period at a rate of £2.20 for every £1 of member contributions up to a maximum of five times the member contribution, together with an additional flat rate sum regardless of contribution, of £1,152 per employee (pro rata to their hours).

The key management personnel of the charity are its Senior Management Team (comprising the CEO, the Finance Director, the Director of Social Research and Innovation, the Director of Education and the Head of HR & Office Services); their combined remuneration during the year was £448,428. They received no benefits additional to those received by other staff.

5. Tangible fixed assets

	Leasehold property	Other assets	Intangible assets	Total
	£000s	£000s	£000s	£000s
Cost or valuation				
At 1 January	5,400	231	45	5,676
Additions	–	89	35	124
At 31 December	5,400	320	80	5,800
Depreciation				
At 1 January	77	158	30	265
Charge for year	77	39	24	140
At 31 December	154	197	54	405
Net book value				
At 31 December	5,246	123	26	5,395
At 1 January	5,323	73	15	5,411

All tangible fixed assets are held for continuing use in the Foundation's activities. The depreciated historic cost of the leasehold property is £1,114k. The lease expires on 24 December 2084 and was revalued on 10 December 2014 by Farebrother, Chartered Surveyors.

6. Investments

a. Investments at market value

	2016	2015
	£000s	£000s
Market value at 1 January	322,541	307,446
Net disinvestment from portfolio	(3,315)	(4,848)
Realised and unrealised gains	64,137	19,943
MARKET VALUE AT 31 DECEMBER	383,363	322,541
Historic cost of listed investments at 31 December	286,301	262,535

b. Disposition of investments

	2016	Movement		2015
		Purchase/Sales	Other	
	£000s	£000s	£000s	£000s
Listed equities	209,136	(12,012)	49,460	171,688
Fixed income	69,110	14,134	(320)	55,296
Private equity	83,284	5,601	171	77,512
Hedge Funds	17,999	7,911	2,277	7,811
Currency hedging	(1,692)	-	(501)	(1,191)
Cash	5,526	-	(5,899)	11,425
TOTAL	383,363	15,634	45,188	322,541
Total UK investments	165,245			81,647
Total overseas investments	218,118			240,894
TOTAL	383,363			322,541
ASSETS HELD IN POOLED FUNDS	84,605			42,809

c. Income from investments

	2016	2015
	£000s	£000s
Global equities	2,604	2,651
UK government bonds	1,847	1,723
Private equity	1,906	1,382
Cash	24	
	6,381	5,756

d. Illiquid assets and investment commitments

At the year end the Foundation had undrawn commitments to private equity funds of £22,409,444 which are expected to be called at various dates between 2016 and 2025. Over a similar period the current investments in private equity funds are expected to be realised by a return of capital. The carrying value of the private equity investments of £83,284,515 reported above represents the latest valuations of the funds at or prior to 31 December 2016 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 2016 the charity had open forward exchange contracts to sell US dollars, Yen and Euros with a total sterling value of £84,880,786. The settlement date for all of these contracts was 15 March 2017. These contracts were entered into to reduce the charity's currency risk arising from

global diversification in its investment holdings. The forward exchange contracts have all been revalued at the applicable year end exchange rates and the resulting unrealised translation losses of £48k are included within the overall value of the equity investments above.

f. Investments over 5% of the portfolio

	2016	2015
	£000s	£000s
Veritas Global Equity Fund	42,445	42,809
Hosking Global Sub Fund	41,924	13,793

g. Programme-related investments

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

7. Debtors and prepayments

	2016	2015
	£000s	£000s
Accrued income	956	712
Other debtors	3,853	5,509
	<u>4,809</u>	<u>6,221</u>
Due within one year	3,962	3,621
Due after one year	847	2,600
	<u>4,809</u>	<u>6,221</u>

8. Grants payable

a. Grants payable

	2016	2015
	£000s	£000s
Grants awarded but not paid at 1 January	26,994	29,469
Grants awarded in the year	5,468	6,042
Grants cancelled in the year	(675)	(1,637)
Grants paid in the year	(7,601)	(6,880)
Grants awarded but not paid at 31 December	<u>24,186</u>	<u>26,994</u>
Payable within one year	16,559	18,613
Payable after one year	7,627	8,381
	<u>24,186</u>	<u>26,994</u>

b. Analysis of grants awarded

	2016	2015
	£000s	£000s
Awarded to institutions	5,468	6,042
	<u>5,468</u>	<u>6,042</u>

c. Five largest contributions

	2016	Number
	£000s	
University of Oxford	913	4
Lancaster University	374	2
University of Sheffield	338	3
University of Reading	333	1
Solent NHS Trust	315	1

9. Creditors: amounts falling due within one year

	2016	2015
	£000s	£000s
Income Tax and National Insurance	68	53
Accruals	686	433
Other creditors	224	196
Deferred income	213	247
	<u>1,191</u>	<u>929</u>

10. Statement of Total Return

	Permanent endowments	Expendable endowments	Total
	£000s	£000s	£000s
Investment return			
Unrestricted investment income	-	6,124	6,124
Restricted investment income	257	-	257
Unrealised gains/(losses)	2,583	61,553	64,136
Investment management costs	(67)	(1,606)	(1,673)
Total return for year	2,773	66,071	68,844
Less: application of return			
Total Return Transfer to Expenditure Reserve	(453)	(10,809)	(11,262)
Transfer to Strategic Fund	(806)	(19,194)	(20,000)
TOTAL TRANSFER TO EXPENDITURE RESERVE	(1,259)	(30,003)	(31,262)
NET TOTAL RETURN FOR YEAR	1,514	36,068	37,582
'PRESERVED VALUE' AT 31 DECEMBER 2003	7,581	180,731	188,312

11. Funds

a. Fund movements

	Balance at 1 January 2016	Movement in resources		Unrealised gain/(loss)	Transfers	Balance at 31 Dec. 2016
		Incoming resources	Outgoing resources			
	£000s	£000s	£000s	£000s	£000s	£000s
Capital funds						
Endowments						
Permanent endowments						
Elizabeth Nuffield fund	2,609	55	(15)	554	(270)	2,933
Commonwealth Relations	9,540	202	(53)	2,029	(989)	10,729
	<u>12,149</u>	<u>257</u>	<u>(68)</u>	<u>2,583</u>	<u>(1,259)</u>	<u>13,662</u>
Expendable endowments						
Oliver Bird	19,241	–	(107)	4,114	(1,596)	21,652
Main fund	272,598	–	(1,498)	57,440	(22,283)	306,257
	<u>291,839</u>	<u>–</u>	<u>(1,605)</u>	<u>61,554</u>	<u>(23,879)</u>	<u>327,909</u>
TOTAL ENDOWED FUNDS	<u>303,988</u>	<u>257</u>	<u>(1,673)</u>	<u>64,137</u>	<u>(25,138)</u>	<u>341,571</u>
Expenditure reserve						
Restricted funds						
Elizabeth Nuffield fund	–	–	(270)	–	270	–
Commonwealth relations	17	–	(10)	–	989	996
Oliver Bird	1,013	409	(59)	–	1,596	2,959
Q Step	–	3	266	–	–	269
Other	–	888	(888)	–	–	–
	<u>1,030</u>	<u>1,300</u>	<u>(961)</u>	<u>–</u>	<u>2,855</u>	<u>4,224</u>

	Balance at 1 January 2016	Movement in resources		Unrealised gain/(loss)	Transfers	Balance at 31 Dec. 2016
		Incoming resources	Outgoing resources			
	£000s	£000s	£000s	£000s	£000s	£000s
Unrestricted funds						
Designated						
Strategic Fund	–	–	–	–	17,911	17,911
Q Step	–	–	–	–	535	535
Nuffield Council on Bioethics	–	1	–	–	106	107
TOTAL DESIGNATED FUNDS	–	1	–	–	18,552	18,553
General Fund	2,493	5,778	(7,381)	7	3,731	4,628
	2,493	5,779	(7,381)	7	22,283	23,181
TOTAL EXPENDITURE RESERVE	3,523	7,079	(8,342)	7	25,138	27,405
TOTAL FUNDS	307,511	7,336	(10,015)	64,144	–	368,976

The total return distribution for 2016 of £11,262k (see note 10) is made up of £6,124k of investment income from expendable endowments, £257k of investment from permanent endowments and £4,881k of capital transferred to income. In addition £20m was transferred from the endowment to the Expenditure Reserve.

b. Analysis of funds – 2016

	Unrestricted funds	Restricted funds	Expendable endowment	Permanent endowment	Total
	£000s	£000s	£000s	£000s	£000s
Investments	–	–	369,701	13,662	383,363
Other fixed assets	–	–	5,495	–	5,495
Net current assets/(liabilities)	23,181	4,224	(39,660)	–	(12,255)
Liabilities due in more than 1 yr	–	–	(7,627)	–	(7,627)
TOTAL FUNDS	23,181	4,224	327,909	13,662	368,976

Analysis of funds – 2015

	Unrestricted funds	Restricted funds	Expendable endowment	Permanent endowment	Total
	£000s	£000s	£000s	£000s	£000s
Investments	–	–	310,392	12,149	322,541
Other fixed assets	–	–	5,511	–	5,511
Net current assets/(liabilities)	2,493	1,030	(15,683)	–	(12,160)
Liabilities due in more than 1 yr	–	–	(8,381)	–	(8,381)
TOTAL FUNDS	2,493	1,030	291,839	12,149	307,511

c. 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 projects in Commonwealth countries. 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 Oliver Bird Rheumatism 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. It comprises a general fund and three designated funds:

- The Strategic Fund represents the unrestricted share of the £20m of investment gains, liquidated in 2016 and exists to fund strategic initiatives over the next four years.
- Q-Step identifies future commitments made to co-funders by Trustees.
- Nuffield Council on Bioethics identifies future commitments made to co-funders by Trustees.

12. Related Party Transactions

Each Trustee is entitled to an annual allowance by virtue of the provisions of the Trust Deed. During the year all Trustees received £10,038. In addition, Trustee Indemnity Insurance was purchased during the year.

	2016	2015
	£000s	£000s
Trustee remuneration	72	63
Expenses paid to the Trustees		
Travel expenses and accommodation	16	13
Number of Trustees reimbursed:	6	3

Although not related party transactions, two grants made in 2016 to the IFS (£97,445) and to the Institute of Psychiatry (£114,398) have links between two Trustees (James Banks and Terrie Moffitt) and institutions with which they are associated. Neither Trustee played any part in the discussions or decisions relating to the grant to their associated institution, in line with our policy on Conflicts of Interest.

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 31 December 2003).

3. Distribution rate

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

Investment Principles

4. Decision-making and governance

- 4.1 The Investment Committee is responsible to the Trustees for investment decisions. It includes three Trustee members and two independent investment professionals as advisors (who serve for three year terms). The committee is supported by staff of the Foundation. It is advised by investment consultants (appointed by Trustees).
- 4.2 The committee appoints investment managers (and terminates their appointments), recommends to Trustees strategic asset allocations and reviews investment performance.
- 4.3 Investment management is delegated to authorised commercial discretionary managers, properly licensed by the FCA, 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 predominantly tobacco companies (equity or bonds).
- 6.2 No stock lending.

7. Asset allocation and ranges

Asset Class	Target	Range
Real Assets		
Global Equities	70%	
Private Assets	20%	
TOTAL REAL ASSETS	90%	
Nominal Assets	10%	8%–12%
TOTAL ASSETS	100%	

8. Principal benchmarks

- 8.1 Principal measurement is against the Index of Capital Maintenance (see objective 2).
- 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 ARC Sterling Steady Charity Growth Index (previously WM Charities Unconstrained Index).
- 8.4 Individual manager benchmarks are set out in the next column.

9. Manager Structure and benchmarks

Asset Class	Manager
Real Assets	
Global Equities	Acadian, Harding Loevner, Hosking, Longview, Veritas
Private Assets	Various illiquid funds
Nominal Assets	
Fixed Interest	Objective Completion
Custodian	Northern Trust

Asset Class	Benchmark	Target
Total Equities	MSCI ACWI	+ 2%
Private Assets	MSCI ACWI	+ 3%
Fixed Interest	0–5yr ML Gilt index	–

10. Performance assessment

- 10.1 Performance is assessed in £GBP on rolling twelve quarter periods.
- 10.2 Performance targets are net of fees.

Effective from 1 April 2003
Last revision: 2016.

Ten year history

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Statement of Financial Activities										
Incoming Resources										
Investment income (gross of charges)	6.0	7.0	4.2	3.9	4.5	4.0	4.5	5.7	5.76	6.38
Capital transferred to income	2.5	2.4	7.0	6.7	5.5	5.8	6.0	6.4	5.26	4.88
Total Return Distribution	8.5	9.4	11.2	10.6	10.0	9.8	10.5	12.1	11.02	11.26
Other income	1.0	1.3	0.9	0.8	0.7	0.9	12.8	0.7	0.87	0.96
TOTAL RESOURCES AVAILABLE	9.5	10.6	12.1	11.4	10.6	10.7	23.3	12.8	11.89	12.22
Expenditure										
Grants made	7.7	7.0	6.1	5.7	6.8	5.0	23.7	5.6	5.32	6.00
Projects managed internally										
Curriculum Programme	1.0	1.3	0.9	1.3	0.9	-	-	-	-	-
Council on Bioethics	0.9	0.9	1.1	1.2	1.2	1.3	1.3	1.3	1.64	1.17
Other projects									-	-
Support costs	1.4	1.4	1.4	1.4	1.5	2.1	1.9	1.5	0.82	1.17
TOTAL CHARITABLE ACTIVITIES	11.0	10.6	9.4	9.6	10.4	8.4	27.0	8.3	7.78	8.34
Charity administration	0.1	0.1	0.1	0.1	0.1	0.1	2.4	1.0	-	-
Investment management fees	1.4	1.2	1.3	2.4	1.6	1.6	1.5	1.7	1.78	1.67
TOTAL EXPENDITURE	12.5	11.9	10.8	12.0	12.0	10.1	30.9	11.0	9.56	10.01
Net Movement on Funds	(3.0)	(1.3)	1.2	(0.7)	(1.4)	0.7	(7.6)	1.8	2.33	2.21
Other Gains and losses	10.2	(59.2)	19.9	33.9	(5.9)	23.3	36.8	34.0	19.95	64.14
Capital transferred to income	(2.5)	(2.4)	(7.0)	(6.7)	(5.5)	(5.8)	(6.0)	(6.4)	(5.26)	(4.88)
Funds at beginning of year	250.0	254.7	191.8	205.9	232.4	219.7	237.8	261.0	290.49	307.51
FUNDS AT END OF YEAR	254.7	191.8	205.9	232.4	219.7	237.8	261.0	290.5	307.51	368.98
Balance Sheets										
Fixed Assets										
Investments	261.7	200.6	213.2	240.2	227.6	244.8	275.4	307.5	322.54	383.36
Tangible Fixed Assets	3.3	3.2	3.2	3.1	3.1	4.4	4.3	5.5	5.41	5.40
Programme Related Investment	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.10	0.10
	265.1	203.9	216.5	243.4	230.8	249.3	279.8	313.1	328.05	388.86
Current Assets										
Cash and short term deposits	0.4	0.2	0.9	0.8	0.1	0.7	1.1	0.5	1.16	0.69
Other current assets	1.0	0.5	0.9	0.6	0.6	0.8	9.6	7.1	6.22	4.81
	1.4	0.6	1.8	1.4	0.7	1.5	10.7	7.6	7.38	5.50
Liabilities	(11.8)	(12.7)	(12.4)	(12.4)	(11.8)	(12.9)	(29.4)	(30.1)	(27.92)	(25.38)
Net Current Assets	(10.4)	(12.1)	(10.6)	(11.0)	(11.1)	(11.4)	(18.8)	(22.6)	(20.54)	(19.88)
TOTAL NET ASSETS	254.7	191.8	205.9	232.4	219.7	237.8	261.0	290.5	307.51	368.98
Reserves										
Income/Expenditure reserves	(3.2)	(3.3)	(0.8)	0.9	1.1	3.4	(2.9)	(0.6)	3.52	27.41
Unrestricted	(0.3)	(0.0)	1.1	2.3	2.1	4.1	(2.1)	(0.7)	2.49	4.63
Restricted	(2.9)	(3.3)	(1.9)	(1.4)	(1.0)	(0.7)	(0.8)	0.1	1.03	4.23
Designated										18.55
Endowments	258.0	195.1	206.7	231.5	218.5	234.5	263.9	291.1	303.99	341.57
	254.7	191.8	205.9	232.4	219.7	237.8	261.0	290.5	307.51	368.98

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Performance										
Total Returns (12 months to 31 Dec.)										
Investments (net of fees)	5.9%	-20.7%	13.0%	17.2%	-1.3%	10.9%	16.4%	13.6%	7.9%	21.7%
Benchmark (Bespoke)	6.3%	-18.0%	17.0%	15.1%	-3.8%	12.4%	24.4%	10.4%	3.6%	26.5%
WM Charities (inc. property)/ARC	6.1%	-20.4%	19.1%	13.4%	-2.7%	11.2%	14.7%	7.5%	2.6%	12.6%
Change in Indices (12 months to 31 Dec.)										
Expenditure/Investments	4.8%	6.0%	5.1%	5.0%	5.3%	4.1%	11.2%	3.6%	3.0%	2.6%
Increase in RPI	4.0%	0.9%	2.4%	4.8%	4.8%	3.1%	2.7%	1.7%	1.2%	2.6%
Increase in Average Earnings	3.6%	3.2%	1.2%	2.3%	2.0%	1.3%	1.1%	1.6%	2.0%	2.5%
Nuffield Inflation Index	3.8%	2.3%	1.7%	3.3%	3.1%	2.0%	1.7%	1.6%	1.7%	2.6%

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.

