



Report and Financial Statements 2010



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Reference and administrative details

Trustees

The Baroness O'Neill CBE FBA FRS (retired 30 September 2010)
Mr Andrew Dilnot CBE
Dr Peter Doyle CBE FRSE
Professor Lord Krebs Kt MA, DPhil, FRS, FMedSci, Hon DSc
Professor Terrie Moffitt PhD FBA FMedSci (appointed 1 September 2010)
Professor Geneva Richardson CBE, FRA, LLB, LLM, FBA, HonFRCPPsych
Professor David Rhind CBE FRS FBA (appointed Chairman 1 October 2010)
Professor Sir David Watson MA PhD

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Chairman's Foreword

Having been a Trustee of the Nuffield Foundation since 2008, I was delighted to be appointed as Chairman in October. My appointment followed the retirement of Baroness Onora O'Neill, who had served as Chair since 1997. On behalf of my fellow Trustees and all at the Foundation I would like to thank Onora for her outstanding contribution to the work of the Foundation. She brought a characteristic clarity of thought and of purpose which has profoundly affected the way the Foundation sees its role and approaches its task. Onora will give the Nuffield Council on Bioethics 20th Anniversary lecture in May 2011, which is a fitting tribute in light of her role as a founder member and Chair of the Council.

In September we welcomed Professor Terrie Moffitt to the Board of Trustees. Terrie is Professor of Psychology and Neuroscience at Duke University in North Carolina and Professor of Social Behaviour and Development at the Social Genetic and Developmental Psychiatry Centre at the Institute of Psychiatry, King's College London. She will be an excellent addition, particularly in relation to our work in child development and family policy.

We were saddened to hear of the death in June of two former Trustees: Professor Robin Matthews and Lord Brian Flowers. Robin Matthews was an economic historian of great distinction who held academic posts both at Oxford and Cambridge, where he was Master of Clare College. A Trustee for over twenty years (1975-1996) he brought a keen intelligence and a wry sense of humour to the Trustees' discussions and was particularly influential in developing the Foundation's role as a funder of social science. Lord Flowers was appointed a Trustee in 1982 and chaired the Foundation from 1987-1997. He was a theoretical physicist who became a central figure in UK science and university policy, but his interests went much wider. He had a strong sense of how a small Foundation could best use its independence and was influential in many of the key developments of the time, including the establishment of the Nuffield Council on Bioethics.

The Nuffield Foundation's year in 2010

I am pleased to report that 2010 has been a good year for the Foundation, with £9.6 million spent on charitable activities and an investment performance of 18 per cent.

Making grants is the core of what we do but it is by no means the whole story. Our support does not begin and end with a grant cheque. We also work in many ways to ensure that the work we fund has a positive impact, especially on public policy and practice. For example, in 2010 we hosted some 200 events at the Foundation's offices, attended by over 3000 people. Many of these events bring together researchers with those who have an interest in the outcomes. By convening discussions between researchers, policy makers and practitioners we help disseminate the findings to appropriate audiences. At the same time the meetings signal the Foundation's continuing interests and thus help attract and sometimes to inspire and shape new projects.

This report lists all the grants we made in 2010. But new grants are only the start of a story so we also provide examples of outcomes achieved in 2010 as a result of grants made in previous years. For projects that set out to influence policy or practice, as many do, this is hard to illustrate in any systematic way. Timescales can be long and variable and it is often difficult to prove causation. But we hope these few examples will serve to demonstrate how the Foundation's programme of support for research and development can support our fundamental purpose, the 'advancement of social well being'.

The Nuffield Foundation is unusual in certain respects. One of these is the high level of engagement of Trustees with planning and implementation of programmes. Much more in-house effort (such as 'mid-wiving' of good ideas that need nurturing) is also expended by the high calibre staff than in other research funders with which I am familiar. So I am enormously grateful for the commitment of all the Trustees and all the staff; their efforts are essential to our success. I would also like to thank our grant holders, applicants and referees, without whom our efforts to fund independent and rigorous research would not be fulfilled.

A handwritten signature in dark ink, appearing to read "David Rhind". The signature is written in a cursive, slightly slanted style.

Professor David Rhind
Chairman

Trustees' report

Structure, governance and management

The Trust Deed

The Nuffield Foundation is an unincorporated charity registered with the Charity Commission (206601). It was established by Trust Deed on 9 June 1943 by Lord Nuffield, the founder of Morris Motors. The Trust Deed details the objects of the Foundation, which include: the advancement of health; the advancement of social well being; the advancement of education; the care and comfort of the aged poor; the relief of handicaps; the benefit of the Commonwealth and 'such other charitable purposes as shall be declared in writing by all the Trustees'.

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

Trustees

The Foundation has seven Trustees. They are appointed by other Trustees for three terms of five, four and three years respectively, so serve a maximum of twelve years.

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

New trustees receive an induction, which includes a series of meetings with other Trustees and senior staff. The Handbook for Trustees contains information about procedures, committees, meetings, decision-making and finances.

Organisational structure

The Foundation employs 39 staff, including eight Curriculum Programme staff and 11 Nuffield Council on Bioethics staff. Although Nuffield Council on Bioethics staff are employed by the Foundation, the Council acts independently.

A senior management team comprising the Director, Deputy Director, Director of Education and Finance Director is responsible for the management of Foundation and for advising Trustees on strategic and operational matters. Trustees are responsible for grant-making decisions, although these are occasionally delegated to staff or committees.

Risk management statement

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

- Established organisational and governance structure and lines of reporting.
- Detailed terms of reference for all sub-committees.
- Comprehensive financial planning, budgeting and management accounting.
- Formal written policies and hierarchical authorisation and approval levels.
- Regular review of current risks to the Foundation.

Through the risk management processes established for the charity, Trustees are satisfied that the major risks identified are being adequately managed where necessary. It is recognised that systems can provide reasonable but not absolute assurance that major risks have been adequately managed.

Objectives and activities for the public benefit

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

Our objectives are to:

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

The Trustees have referred to the guidance contained in the Charity Commission's general guidance on public benefit when reviewing the Foundation's aims and objectives and in planning future activities and grant making policies.

We achieve our objectives by:

- Making grants for research and innovation in areas relating to education, children and families, and law. We also fund exceptional projects outside these areas, mainly in social policy, through our Open Door Programme. All the projects we fund must have the potential to improve policy and practice in the short or medium term.
- Developing new approaches to teaching and learning.
- Providing work placements for school and college students and undergraduates to gain skills and experience in science and research.
- Funding UK/African partnerships to increase the professional and academic training available to people in eastern and southern Africa through our Africa Programme.

- Developing a cohort of outstanding young research scientists in rheumatic disease by funding PhD studentships through our Oliver Bird Rheumatism Programme.
- Supporting research capacity in social science.
- Supporting the independent examination of ethical issues in biology and medicine through our continued support of the Nuffield Council on Bioethics.
- Maximising the impact of the work we fund by supporting grant-holders past and present in their efforts to inform and disseminate their work. This includes hosting meetings and seminars at the Foundation and identifying opportunities to present our work to the right people at the right time.

Our work in 2010

Every year the Foundation makes new grants, but we also work with holders of grants made in previous years to help ensure their projects fulfil their potential. Examples of both kinds of activity are given in the achievements and performance section that follows. A full list of major grants made is included at the end of the report.

Our programmes are reviewed periodically, usually every five years. In 2009 we reviewed our Education Programme and in 2010 we have been working to embed the new priorities in both our grant-making and our Curriculum Programme. This year we commissioned an independent review of our work in science and mathematics education. The review was undertaken by Professor Sir John Holman, formerly Director of the National Science Learning Centre. The review is wide ranging and will inform our future work in science and mathematics education. The Trustees will be considering its findings early in 2011 with a view to implementation in the second half of the year.

Early in 2010 we launched our Africa Programme, which replaced the Commonwealth Programme – our previous international grants programme. The new programme is informed by the findings of an independent review of the Commonwealth Programme and will fund partnerships between UK and African institutions to develop training initiatives in science, technology and public service provision. The review of the Commonwealth Programme, *Capacity for change* is available to download from our website.

We also undertook a review of our work in social science research capacity-building. For many years we have run two programmes in this area: a Social Science Small Grants Scheme and Social Science Fellowships. The Fellowships were discontinued in 2009, and a revised Small Grants programme operated for most of 2010 while the review was underway. Evidence from the Small Grants scheme showed that it was not particularly well-focused on developing new capacity. We decided that the social science schemes should be replaced by a new capacity-building programme focussing specifically on developing undergraduate quantitative skills and experience in social science. Recent evidence from a variety of sources, including a report by Professor John MacInnes from the University of Edinburgh, has revealed an increasing deficit in this area, and we feel this is a need that the Foundation is well placed to address, given its expertise in embedding methodological rigour in the study of substantive issues. Details of the programme will be agreed in the early part of 2011.

In September we launched our new Foundation website, with the aim of presenting the work we do in an accessible and engaging way to a broad audience. Its development has been a major

component of our more proactive and coordinated approach to communications, which was a strategic decision made in 2009 and fully embedded in 2010.

Statement of grant-making policy

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

All our research and innovation grants are peer reviewed by independent referees, as are those made under the Africa Programme and our Social Science Small Grants Scheme. Final decisions on these applications are made by Trustees. Undergraduate Research Bursaries are awarded following assessment by a Peer Review Panel, and Science Bursaries for Schools and Colleges are awarded by a network of regional coordinators who operate under a service level agreement with the Foundation.

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

Achievements, performance and future plans

Social Policy (£3.5m, 29%)

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

Children and Families

Objective: To support work to help ensure that the laws and institutions governing family life in the UK are operating in the best interests of children and families.

Marriage, relationships and child development

In 2010 we funded several projects relating to marriage, parental relationships and child development. One project was led by Alissa Goodman at the Institute for Fiscal Studies (IFS) and concluded that developmental differences between children born to married parents and those born to unmarried parents are not **mainly** accounted for by marital status, but determined by other factors, such as parental age, education, and income. Related research found that these factors are also influential in whether or not people decide to get married. This evidence has important implications for family policy because it shows that simply encouraging more people to get married is unlikely to result in better outcomes for children unless these other elements are in place.

Young witnesses

We continued to support work to improve the treatment of young witnesses in the court system. In 2009, together with the NSPCC, we published a report, *Measuring Up?*, which concluded that the reality faced by young witnesses in court fell short of the standards set out in government policies and made 42 recommendations for improvement. The report has since been cited in a judgement by the Supreme Court. In 2010 we hosted two seminars attended by senior members of the judiciary and legal profession and senior civil servants to discuss progress made against these recommendations. A briefing paper detailing progress made to date and highlighting areas for improvement will be published in 2011. We are also funding other projects on this topic, an approach we believe will improve the chances of beneficial changes in policy or practice.

Media access and family courts

Research we funded in 2009 into media access and family courts was influential during Parliamentary debate of the Children Schools and Families Bill (now Act). The Oxford Centre for Family Law and Policy concluded that the proposals were without international precedent and could put the personal privacy of vulnerable children and their families at risk. One of the authors, Dr Julia Brophy, was called to give evidence to the Public Bill Committee, and the coalition government announced that it would await the findings of the Family Justice Review before implementing the Act.

New Children and Families grants in 2010 - highlights

- A partnership between the DayCare Trust and the University of Oxford to try and identify what constitutes 'quality' in the education and care of children from birth to the age of five (£79,672).
- The Policy Studies Institute will undertake an international comparison of the degree to which children of different ages have the freedom to travel to school, friends and shops unaccompanied by adults (£82,831).
- Juan Jose Media Ariza at the University of Manchester will examine the impact of gangs on the long term development of children and young adults (£48,000).
- Sylvie Dubuc from the University of Oxford will examine pre-natal sex selection against females in the UK, with a review to informing ethical debate (£96,452).

Law in Society

Objective: To fund research and practical innovation that will examine how law functions in society and its status as a social institution, with the aim of changing policy or practice.

In 2010 we reviewed our areas of interest in law, and hope to stimulate further work on enforcement in civil and family law, an issue about which far too little is known.

Administrative justice

Our work in administrative justice continued in 2010. One of our key projects in this area, a study of the design and choice of redress mechanisms reported its findings at a seminar hosted by the Foundation. The researcher, Varda Bondy from the Public Law Project, presented her analysis of the different functions of mechanisms to settle disputes between citizens and public authorities, and how these work in different settings. Other projects on administrative justice will be launching their findings in 2011. A new seminar series planned for 2010 was delayed by workloads elsewhere, but will take place in 2011. The issue of contingency fees was addressed in a Ministry of Justice consultation paper, which cited Professor Richard Moorhead's research, funded by the Law in Society Programme in 2008.

New publications

In April, The Central London Law Centre published two guides to anti-discrimination legislation which were funded by the Foundation. The guides, *Facing disciplinary action: a guide for employees and their representatives* and *Taking Grievances*, have since been recommended by the Equalities and Human Rights Commission.

A handbook on solitary confinement researched and written by Sharon Shalev with a Law in Society grants was translated into several languages, including Russian and Chinese, by the International Red Cross.

Imprisonment for public protection (IPP)

In July, the Prison Reform Trust and the Institute for Criminal Policy Research at King's College London called for an urgent review of the social and financial costs and benefits of the controversial indeterminate sentence of imprisonment for public protection (IPP). This recommendation came after the Foundation funded Professor Mike Hough to investigate the IPP sentence and its implementation. He concluded the IPP was poorly planned, under-resourced and had over-estimated the ability to predict risk posed by violent and sexual offenders.

Mandatory life sentence

In October, we published Professor Barry Mitchell's report of his public survey of the mandatory life sentence for murder. His research suggests that public support for the mandatory sentence of life imprisonment for murder is much more limited than has traditionally been assumed. It also showed that public opinion on the sentencing of murderers seems to be based on a limited understanding of the current system. The findings received extensive media coverage, including an in depth feature by the BBC's legal correspondent Clive Coleman.

New Law in Society grants in 2010 - highlights

- Professor Maurice Sunkin from the University of Essex and Varda Bondy from the Public Law Project will explore the way government responds to judicial decisions and how they sometimes result in the alteration of policy (£223,401).
- Jonathan Heawood from English Pen will investigate the feasibility of establishing a forum and procedure for resolving libel claims outside the High Court (£99,500).

Open Door

Objective: To keep an ‘open door’ to proposals of exceptional merit for research projects or practical innovations that lie outside our main programme areas but that meet Trustees’ wider interests and will improve social well-being. Some specific themes include, poverty and disadvantage, the economics of ageing, and government and constitution.

Election briefings

The General Election in May was preceded by debate about the different parties’ economic proposals. This debate was frequently informed by the Institute for Fiscal Studies (IFS) briefings, funded by a £70,000 grant from the Foundation, which provided objective evidence without spin or sensationalism to help voters make an informed choice.

Parliamentary reform

In June, MPs in the new Parliament voted to create an elected Backbench Business Committee with responsibility for scheduling debates in the chamber for one day per week. This historic move followed a campaign to implement the recommendations made by the Select Committee on Reform of the House of Commons, which was established in response to Dr Meg Russell’s report *The House Rules?* funded by the Foundation in 2004 and supplemented in 2010.

Youth crime and antisocial behaviour

Since 2008, we have awarded over £400,000 to the Independent Commission on Youth Crime and Antisocial Behaviour. In July, the Commission published the findings from its study of alternative responses to youth crime. Its report, *Time for a Fresh Start*, concludes that restorative meetings known as ‘youth conferencing’ may be a useful way to deliver better justice for the victims of crime, while cutting reoffending rates and reducing the number of young people who end up in prison. The findings will be submitted to the Government’s Green Paper on punishment, rehabilitation and sentencing published in December.

Mirrlees Review

November saw the launch of the Mirrlees Review of the tax system undertaken by the Institute for Fiscal Studies (IFS) and co-funded by the Foundation and the ESRC with a grant of £312,000 in 2006. The report had been delayed so as not to get caught up in the General Election campaigns. The review sets out a number of reforms including merging income tax and National Insurance and replacing the current system of benefits with a single, integrated benefit. The review also advocates an uniform VAT rate, a consistent rate of tax for carbon emissions and the abolition of stamp duty.

Pensions policy

The Pensions Policy Institute (PPI) published two reports in 2010, both part of their project to provide an evidence base for the reform of public pensions, which we funded in 2009 with a grant of £76,649. Concluding that a trade off between adequacy and affordability is at the heart of reform, the PPI has identified possible reforms and analysed the potential implications of each. This evidence was submitted to the Hutton review of public pensions, which will report early in 2011.

New Open Door grants in 2010 – highlights

- Robert Hazell from the UCL Constitution Unit will investigate coalition governments, how they can remain stable and how they can reconcile unity with the need for parties to project distinct identities (£76,487).
- The Royal Statistical Society's *getstats* campaign will establish new interventions to support social and institutional change to improve public interest and awareness in the role of statistics in society, and the development of more broadly-spread statistical skills in the population (£249,700).
- Professor John Hills from the LSE will look at the relationship between consumption patterns and tax in different jurisdictions. What do citizens in countries with low taxation levels spend their extra income on? What is it that people in the UK are able to spend more on than citizens in say, France or Denmark, as a result of our collective decision to have less extensive social provision? (£222,113).

Education (£2.4m, 20%)

We are committed to improving education opportunities and outcomes for all. We have supported innovative research and development in education for over 60 years.

Objective: to fund education research projects and develop classroom and professional development resources designed to have a positive impact on education policy and practice.

We have four priority areas: foundations for learning; mathematics and science education; secondary education transitions; and student parents and women's education.

Foundations for learning

In November an evaluation of the Language4reading project led by Professor Maggie Snowling and funded by the Foundation showed it had succeeded in improving the expressive language skills of children in Nursery and Reception, including the use of vocabulary and grammar. The project, a randomised control trial based at the University of York, has been documented in three videos by Teachers TV, which are available to watch via our website.

Science education

At the end of the year we launched two sets of cross-curricular STEM activities for pupils to explore problems through skills-based activities in science, maths and design & technology. *Nuffield STEM Futures* challenges pupils to rethink a sustainable future based on the principles of closed loop systems in nature. *Nuffield STEM Games* is inspired by London 2012 and provides a range of activities exploring fitness, fairness and the design of games and sports equipment.

The STEM resources total 44 hours of teaching time, broken down into smaller 'pods' of activities. All resources are free to download and comprise films, presentations, pupil activities, teachers' notes and professional development toolkits.

Throughout 2010 we have been revising our Twenty First Century Science courses to comply with the new specifications for GCSE Science due to start in September 2011. Twenty First Century Science has been designed to give all 14-16-year-olds a thorough grounding and inspiring experience of science. It has been popular with teachers and preliminary research shows it has led to an increase in the number of students choosing to study science at A Level. In light of this, we have commissioned Dr Jim Ryder to undertake a survey of Twenty First Century Science students who go on to study A level science.

Mathematics education

Our work in mathematics was enhanced in 2010 with the creation of a new Head of Mathematics post, to which we were pleased to appoint Vinay Kathotia. We also appointed two Nuffield Education Fellows to contribute to our work in mathematics over a three month period.

International research reviews

In 2010, we published two international comparisons of mathematics education. The first, *Values and Variables* examined mathematics education in high attaining countries. The researchers, led by Professor Mike Askew from King's College London, found that the use of maths textbooks in English schools is relatively low, and English textbooks use routine examples and are less mathematically coherent than those in other countries. They also highlighted the importance of parental values and expectations, particularly in East Asian countries, where parents of all socio-economic backgrounds are more likely to pay for extra-curricular maths tutoring for their children than provide direct help with school work.

In December, we published *Is the UK an outlier? An international comparison of upper secondary mathematics*, which presented the findings of research undertaken by Jeremy Hodgen and David Pepper from King's College London; and Linda Sturman and Graham Ruddock from the National Foundation for Educational Research. The report shows that fewer than one in five students in England, Wales and Northern Ireland study any kind of maths after GCSE, representing the lowest levels of participation of the 24 countries surveyed. Levels of participation are higher in Scotland, where just under half of students study maths after S4, but still below the average.

Both these studies were supported by seminars hosted by the Foundation and attended by key stakeholders. *Values and variables* has since been added to university reading lists on teacher training courses. *Is the UK an outlier?* will inform the Advisory Committee on Mathematics Education's work on 'pathways' and Professor Alison Wolf's review of vocational education, due to be published early in 2011.

Applying Mathematical Processes (AMP)

In September 2010, we launched our Applying Mathematical Processes (AMP) resources designed to aid teaching and assessment of key processes in mathematics for 11-16 year olds. The resources comprise Mathematical Investigations to encourage pupils to explore processes through interactive tasks; and Practical Explorations for pupils to apply problem-solving skills in realistic contexts. The resources are available to download from our website and have also been disseminated to secondary schools across England via Secondary National Strategy Mathematics consultants.

Mathematics in 2011

In 2011 we will revise the resources that accompany our Free-standing Mathematics Qualifications (FSMQs). We will also be responding to the Coalition Government's review of the National Curriculum, with particular reference to science and mathematics education.

Student parents and women's education

October saw the launch of a new website designed to help students with children prepare for university life. Funded by the Foundation, the website, www.studentparents.org, is a response to NUS research highlighting the need for better information and guidance, particularly around student finance. The website has been developed by a consortium of organisations, led by education charity BrightsideUNIAID and is part of a wider programme piloting the use of e-mentoring to support student parents with the transition from further to higher education. Students at college who are thinking of going to university are mentored by student parents already studying at a local university.

Higher education funding

In April, Professor Lorraine Dearden published her analysis of the options for reforming the current system of fees and loans applying to full-time undergraduate study. The research examined the potential impact of a number of difference scenarios such as raising the fee cap, charging a real interest rate on loans and changing the parameters of the loan system. The evidence was highly influential in the recommendations of Lord Browne's review of Higher Education Funding, which subsequently requested further analysis from Professor Dearden and her colleagues before publishing its report in October.

New education grants made in 2010 – highlights

- Professor Peter Blatchford will examine the nature of the teaching and support of primary school pupils with a statement of special educational need (SEN). He will track over 40 pupils in Year 5 to find out how the reality of compares to the provision set out in the statements (£156,839).
- Professor Peter Bryant will conduct a review of how children' develop an understanding of probability. This is a supplementary project to *Key Understandings in Mathematics Learning* (2009), and will be published in 2011 (£10,388).
- A team from the Institute for Effective Education at the University of York will run a randomised control trial around its *PowerTeaching Maths* project. This is an approach to mathematics teaching at KS2 that takes advantage of the availability of interactive whiteboards in UK schools to create an engaging and fast-paced approach (£179,990).

Capacity building (£2.5m, 21%)

We believe policy and practice should be influenced by independent and rigorous evidence. We aim to ensure these qualities are maintained in the future by funding programmes to build research and professional capacity in science and social science research.

Science Bursaries for schools and colleges and Undergraduate Research Bursaries

Objective: To build capacity in science and research by providing 16-18 year olds and undergraduates with the opportunity to participate in scientific research.

In 2010 we gave **1,017** school and college students the opportunity to work alongside practising scientists, engineers and mathematicians in summer vacation work placements. This is the highest number of placements in the programme's history.

In the same year, **455** undergraduates received bursaries from the Foundation to work on innovative research projects in universities and research institutes throughout the UK.

Schools and colleges

As part of our goal to increase access to our school and college bursaries, we carried out two pilot projects in 2010. The first was to provide more students from rural areas with the opportunity to apply for a Science Bursary for Schools and Colleges. Most project providers are based in urban centres, but through the pilot we were able to provide an additional 25 placements for students from rural areas.

We also piloted a new approach to allow schools and colleges to arrange placements directly. The pilot was based at Oldham College, a large FE college, which arranged placements for eight students locally with bursaries provided by the Foundation. This proved a successful model and we will expand the pilot in 2011.

Prize-winners

Of our Schools and Colleges students from 2009, 28 won prizes at the 2010 Big Bang Fair in Manchester, including UK Young Scientist of the Year. Thomas Hearing, from the Thomas Hardy School in Dorchester, won the National Science and Engineering Competition for his project to monitor the erosion of Monmouth Beach and its Ammonite pavement while on placement with Dorset County Council.

Another of our students, Raghd Rostom from Bournemouth School for Girls, won a prize at the EU Competition for Young Scientists to spend a week at the European Molecular Biology Laboratory in Heidelberg for her investigation of factors influencing bone formation in embryonic chick femurs.

Stephanie Tudgey, who worked for QinetiQ this summer identifying macro moths on Eelmoor Marsh, was awarded the I-SWEEEP prize for her work. She won a trip to the International Sustainable World (Energy, Engineering and Environment) Project Olympiad, an international science fair in Houston, Texas.

We hope to see our students continue their success at the Big Bang Fair in 2011, where 43 have been selected to exhibit their work.

Undergraduate bursaries

This year we received 813 applications, a 20 per cent increase on 2009. There was a particular increase in the number of Earth and Environmental Science research projects, with the number of biomedical applications also increasing. There was a slight drop in the number of computing applications.

We piloted a partnership with the John Innes Centre (JIC) in Norwich to fund 10 undergraduate places at their summer school. The Nuffield placements form part of their larger summer school programme (16 students in total in 2010) that offers students an enhanced stipend, free student accommodation at UEA, and a structured programme of seminars and group activities. Students

from any UK university are invited to apply for the chance to experience working at a research institute and away from their home university. JIC is responsible for marketing the scheme and selecting students. The pilot is for two years initially and will continue in 2011.

Oliver Bird Rheumatism Programme

Objective: The Oliver Bird Rheumatism Programme aims to build research capacity in rheumatic disease by developing a cohort of outstanding young research scientists.

The Programme funds four year PhD training programmes in the biosciences at six UK universities. In 2010, we welcomed 10 new students to the programme. We were particularly pleased that four of these have been funded by corporate donors or universities, demonstrating how the Oliver Bird Rheumatism Programme has gathered a reputation for excellence and is able to generate further funding in rheumatic disease. So far, this additional investment is in excess of £1 million.

Alumni

Of the 27 students completing their studentships between September 2008 and 2010, 23 have achieved their PhDs and four are writing up. We are pleased that 13 alumni have taken up Fellowships or post-doctoral positions in the field of rheumatic disease and two are moving on to their second post-doc in the field. Seven others are in post-doctoral positions in related areas of inflammation science.

Keeping in touch

In 2010 we launched a new extranet to connect the participants in the programme, to enable them to build networks and share their research. At the end of June we held our annual conference in Stirling, jointly hosted by the University of Aberdeen and the University of Glasgow. Alumni of the Programme inspired current students with presentations about life as a professional scientist, including issues such as intellectual property and supervising undergraduates. Adam Taylor presented the interactive *Secret life of the skeleton* show, which he and colleagues from the University of Aberdeen had presented at a series of public engagement events throughout the summer.

Plans for 2011

In 2011 we will be working to track the longer term impact of the Oliver Bird programme by developing a database to record PhD studentship outcomes and career developments. We will also be scoping the capacity for rheumatic disease research training opportunities in the UK.

Africa Programme

Objective: to build research and professional capacity in southern and eastern Africa through the support of training projects.

Mental health professionals in Kenya

A long-term project to train mental health professionals in Kenya, which has received £500,000 from the Foundation since 2004, continued to have impact in 2010. Beginning in 2006, the WHO

Collaborating Centre at the Institute of Psychiatry, in partnership with the Kenya Ministry of Health, the Kenya Medical Training College (KMTTC) and the Kenya Psychiatric Association, developed a programme to train primary care workers to provide mental health care. Professor Rachel Jenkins is now working with a research team from Great Lakes University in Kenya to undertake a randomised control trial of the effectiveness of the training and has been awarded a grant from the Department for International Development to increase the scope of the evaluation.

Paediatric HIV care

Between 2006 and 2009, we funded a partnership between Mildmay International and the Zimbabwe Association of Church-related Hospitals (ZACH) to train healthcare personnel in paediatric HIV care. In 2010, the success of the project led to a £367,000 grant from the European Commission to widen the network of network of paediatric HIV care and support for orphaned children by bringing on board community leaders, village health workers and school health masters.

Neglected tropical diseases

We continue to fund fellowships for African postdoctoral scientists through the European Foundations Initiative on Neglected Tropical Diseases. This collaborative programme, which involves five European Foundations, is designed to strengthen research capacity in both biomedicine and public health aspects of diseases such as sleeping sickness, intestinal worms and river blindness. We contributed £250,000 to the initiative in 2010 and seven new Fellowships were awarded to scientists in Ghana, Nigeria, Tanzania, Kenya and Malawi.

Going Global

We are keen to ensure that we continue to fund effectively, both independently and in partnership with others. In 2011 we will be revisiting *Going Global*, a review of international development funding by UK trusts and Foundations in order get a broader perspective of the funding landscape and refine our contribution where appropriate.

Africa Programme new grants in 2010 – highlights

- A partnership between The Centre for the Analysis of South African Social Policy (CASASP) at Oxford University and the Institute of Social and Economic Research (ISER) at Rhodes University to provide professional development training for civil servants on social policy and social policy analysis (£94,362).
- A three year grant to the University of Liverpool will enable six Malawian undergraduate medical students per year to attend Liverpool University for one month to gain an understanding of the potential applications of frontier advances in clinical science to health problems in Malawi. In addition, the project will also provide funding for six students a year to undertake research projects within Malawi (£72,000).
- Cerebral Palsy Africa (CPA) will start a new training programme in Uganda. Two trained therapists will visit Kampala in early 2011 to run a training programme for community-based rehabilitation workers. A third trainer will work to identify further opportunities for training. The training will involve both therapies and practical skills such as making special equipment from waste paper and cardboard (£8,850).

Social Science Small Grants

Objective: to increase research capacity in social science. In 2010 we awarded 16 grants of up to £15,000 each for research projects in line with our areas of interest.

Following a review of our social science capacity building programmes, the Small Grants Scheme was discontinued in December 2010. The scheme has been running since 1966, when it was introduced for 'an experimental period', though it has changed in form and process over the years. It will be replaced by a programme to fund centres that will concentrate on capacity building in undergraduate quantitative skills in social science (full details will be announced in 2011). We are aware that other funders (such as the ESRC and the British Academy) have also scaled back their small grant funding, and we will continue to fund small projects in our areas of substantive interest. Together with other funders in the Strategic Forum for the Social Sciences, we will review the need for small grant funding in 2012 or 2013.

In the last month of 2010, before the scheme closed in December, we received as many applications for small grants as we had in the preceding 8 months. As a result, although we will not accept any more applications, we will continue to award grants in 2011 for successful applications made in 2010.

Social Science Small Grants made in 2010 – highlights

- Professor Andrew Boon will examine the disciplinary process of the legal profession, with a special focus on the types of lawyers that face disciplinary proceedings and the factors associated with transgression (£13,809).
- Dr Rachel Brooks will compare the experiences of student parents in the UK and Denmark. The project will explore the way in which students who are also parents make decisions to embark upon a degree, their experiences during their time at university and the ways in which they are affected by institutional policies and practices (£17,939).

Nuffield Council on Bioethics (£1.2m, 10%)

Nuffield Council on Bioethics

Objective: to examine and reports on ethical issues in biology and medicine. The Council is an independent body co-funded by the Foundation, the Wellcome Trust and the Medical Research Council.

Personalised healthcare

In October 2010, the Nuffield Council on Bioethics published its report on 'personalised healthcare'. Its recommendations included:

- Regulators should request evidence for any claims being made by companies offering direct-to-consumer personal genetic profiling about the clinical value of their tests.
- Direct-to-consumer whole body CT imaging should be banned.
- The UK Department of Health should ensure that high-quality health information is available on their websites.
- The Government should set up accreditation schemes for online health record providers.

Biofuels

Over 90 organisations and individuals responded to a public consultation on the ethical issues raised by the development of liquid biofuels. The Council will publish its report in April 2011.

Human bodies in medicine and research

A new Working Party was set up in January to explore the ethical issues raised by the donation of bodily material, such as organs, blood, gametes, bone and other tissues, and whole bodies, for medical treatment and research. The Council received 180 responses to its public consultation in the summer, and will publish its report in autumn 2011.

Emerging Biotechnologies

A second new project begun by the Council in 2010 is looking at the common ethical issues raised by emerging biotechnologies such as synthetic biology and nanotechnology. The Working Party is Chaired by Professor Michael Moran, Professor of Government at the University of Manchester.

Impact

Previous reports from the Council continued to have impact in 2010. In November, the Government published the White Paper, *Healthy lives, healthy people*, which outlines its strategy for public health in England. The White Paper uses the 'intervention ladder' from the Council's 2007 report *Public health: ethical issues* to provide a visual demonstration of the range of possible public health interventions. Similarly Scotland's National Dementia Strategy, published in June, draws on the Council's ethical framework for dementia and its recommendations on promoting the autonomy of people with dementia.

New projects for 2011

In 2011 the Council will begin two new projects. The first, on novel neurotechnologies, will consider the ethical issues raised by developments involving direct interventions in the brain. The second, on genes and parenting, will examine how we balance genetic and other interests in the context of families established through assisted reproduction and using donor gametes.

Financial review

By conventional measures the Foundation had a substantial deficit for 2010 – income of £4.7m and expenditure of £12m. However the Foundation invests for 'total return'. Expenditure is funded in part by income, and in part by selling assets. Our policy is to raise cash by selling those assets that have increased most within the investment portfolio (and so are most overweight) and is part of a profit taking discipline. It is this need for modest but continual liquidity that underpins the Trustees' investment strategy. Approximately 80% of the portfolio is in readily realisable assets.

We do not rely on income as a measure of what is affordable but instead transfer an annual amount from the endowment into an Expenditure Reserve (see Notes 10 and 11). The value of this transfer is calculated using a formula which is designed to provide a long term sustainable rate of expenditure, currently 4.5% per annum. In 2010 we spent 5.8% based on the value of the endowment at the beginning of the year (2009: 5.7%).

While 2010 was a successful year in terms of our reserves policy, we did not spend our full budget. There are two reasons for this: some programmes of expenditure were being rethought or redesigned, and in some areas the number of fundable applications was lower than we anticipated. Fuller commentary on individual programmes is given above. Our policy is to transfer our sustainable funding (the Total Return transfer) out of the endowment and into our Expenditure Reserve every year to ensure that any amount unspent remains available for future expenditure. At the end of the year the Unrestricted Expenditure Reserve stood at £2.3m – above our self imposed ceiling of £2m (or approximately 2 months expenditure). We have therefore set a budget which will result in a substantial reduction in this reserve at the end of 2011, bringing back into line with our policy range.

The Foundation's restricted funds have negative balances totalling £1.9m due to the SORP requirement to charge the full cost of multi-year grants in the year of award. Future investment returns (or lower annual spending) will restore these deficits.

Charitable activities are delivered through different mechanisms; sometimes responsive grant-making is the most appropriate, but on other occasions other methods, for example a series of seminars, may be more fruitful. These distinctions are analysed in Note 3 to the accounts which separates grants, other direct costs, and an allocation of overhead costs. Each component plays an appropriate and indispensable part in how the Foundation delivers its objectives.

Investment management and governance (£2.4m, 20%)

The investment performance for periods ending 31st December is summarised below.

Total Returns	1 Year	3 Years	Apr. 2003
Nuffield Foundation (gross of fees)	18.1	2.0	9.7
Bespoke Benchmark (gross of fees)	15.1	4.2	10.5
WM Total Charities (gross of fees)	13.4	2.6	-
Key			
Nuffield Foundation	Actual performance		
Bespoke Benchmark	90% MSCI WI; 10% UK 15 year Gilts		
WM Total Charities	Median, including property		

Performance in the year was good; all active managers outperformed over the year, with three producing excess returns over 9%. We expect Private Equity valuations to lag public markets so the total return excluding PE was 19.8% (benchmark exc. PE: 15.9%). Measured against similar

funds the returns for PE are above median. The new public equity structure alone returned 23% for the year (benchmark: 15.7%).

During 2010 the Foundation paid substantially more in investment fees (£2.4m) than in 2009 (£1.4m). This is due to generally higher value of assets throughout the year, and also to a performance fee to a single manager for a 20% out performance of its benchmark return. Managers are measured net of fees to ensure that these costs are recouped through improved performance. The Foundation sold all its unitised property during the year.

Accounting for Total Returns and Reserves Policy

For five years from 2009 our policy is to distribute 4.5 per cent of the trailing twelve-quarter average market value of our investments (based on values at 30 June of the previous year). Cambridge Associates have advised this as a sustainable amount to distribute. The intention is to produce a consistent and sustainable amount for expenditure and to maintain (at least) the purchasing power of the endowment over the long term.

Our Reserves Policy is driven by two components: the first is to keep the unrestricted funds (which are part of the Expenditure Reserve) at a level of + / - £2m to allow for cumulative under-spending or over-spending from year to year (there is no similar range for the restricted Expenditure Reserve). Stepping outside this range would trigger a review of spending. On 31 December 2010 this reserve was worth £2.3m (2009: £1.1m). As mentioned above a budget has been set to bring this reserve back within its agreed range.

The second part of this policy reflects how the Trustees seek to preserve the endowment's value. The 'Core Endowment' represents that part of the assets which we seek to maintain (at least) in real terms. It is based on the value of the endowments on 31 December 2003 together with an allowance for subsequent inflation. Because stock markets fluctuate an 'allowance for market volatility' is also included. This accounts for the difference between the Core Endowment and the current value of the endowment. However if this allowance became too large (or small) for a sustained period a review of the distribution rate would be triggered (without necessarily leading to a change). At 31 December 2010 the market value of the endowment total represented 99 per cent of its core value (2009: 91%), suggesting that the Foundation is at the end of the year at least, on an even keel.

£000s	Lower Limit	31/12/2010 Actual	Upper Limit
Core endowment			
'Preserved Value' at 31 December, 2003		188,311	
Allowance for inflation		46,167	
Balance at 31 st December 2010		234,478	
Allowance for market volatility		(2,955)	
Endowment total	196,961	231,523	271,995
Expenditure Reserve			
Restricted	-	(1,360)	-
Unrestricted	(2,000)	2,266	2,000
Total funds		232,429	

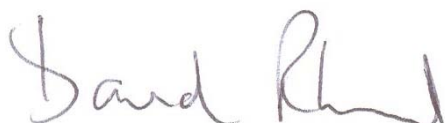
Statement of Trustees' Responsibilities

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

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

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

Approved by the Trustees on 6th May 2011 and signed on their behalf by



Professor David Rhind
Chairman

Independent Auditor's Report to the Trustees of the Nuffield Foundation

We have audited the financial statements of Nuffield Foundation for the year ended 31 December 2010 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and the related notes numbered 1 to 11.

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 section 44 of the Charities Act 1993. Our audit work has been undertaken so that we might state to the charity's trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and the charity's trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditor

As explained more fully in the Statement of Trustees' Responsibilities, the trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. We have been appointed as auditor under section 43 of the Charities Act 1993 and report in accordance with regulations made under section 44 of that Act.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

We read all the information in the Trustees' Report, the summary of grants awarded in the year and the Summary of Financial Objectives and Investment Strategy to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2010 and of its incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities Act 1993.

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 1993 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.

Crowe Clark Whitehill LLP
Crowe Clark Whitehill LLP
Statutory Auditor, London

Date: 25 / 5 2011

Crowe Clark Whitehill LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

Statement of Financial Activities

	Notes	Unrestricted Funds £000s	Restricted Funds £000s	Endowed Funds £000s	Total 2010 £000s	Total 2009 £000s
INCOMING RESOURCES						
Incoming resources from generated funds						
Voluntary income	2	2	672	-	674	683
Activities for generating funds		69	-	-	69	125
Investment income						
Investment portfolio	6	-	-	3,903	3,903	4,149
Other interest		2	-	-	2	2
Other income		44	-	-	44	96
Total incoming resources		<u>117</u>	<u>672</u>	<u>3,903</u>	<u>4,692</u>	<u>5,055</u>
RESOURCES EXPENDED						
Costs of generating funds						
Investment management costs		-	-	2,351	2,351	1,329
Charitable activities						
Social Policy		3,508	-	-	3,508	3,183
Education		2,322	67	-	2,389	2,047
Capacity Building		1,626	874	-	2,500	3,092
Nuffield Council on Bioethics		731	477	-	1,208	1,101
Charitable activities		<u>8,187</u>	<u>1,418</u>	<u>-</u>	<u>9,605</u>	<u>9,423</u>
Governance		88	-	-	88	78
Total resources expended	3	<u>8,275</u>	<u>1,418</u>	<u>2,351</u>	<u>12,044</u>	<u>10,830</u>
NET OUTGOING RESOURCES before transfers						
		<u>(8,158)</u>	<u>(746)</u>	<u>1,552</u>	<u>(7,352)</u>	<u>(5,775)</u>
Transfers	11	9,298	1,272	(10,570)	-	-
NET OUTGOING RESOURCES after transfers						
		<u>1,140</u>	<u>526</u>	<u>(9,018)</u>	<u>(7,352)</u>	<u>(5,775)</u>
Net (loss)/gain on investment assets	6	-	-	33,875	33,875	19,867
NET MOVEMENT IN FUNDS						
		<u>1,140</u>	<u>526</u>	<u>24,857</u>	<u>26,523</u>	<u>14,092</u>
Fund balances brought forward at 1 January		<u>1,126</u>	<u>(1,886)</u>	<u>206,666</u>	<u>205,906</u>	<u>191,814</u>
Fund balances carried forward at 31 December	11	<u>2,266</u>	<u>(1,360)</u>	<u>231,523</u>	<u>232,429</u>	<u>205,906</u>

Notes 1 – 11 form part of these Financial Statements

Balance Sheet

		2010 £000s	2009 £000s
FIXED ASSETS			
	Tangible fixed assets	5	3,139
	Investments	6	240,199
	Programme related investments	6	100
		<u>243,438</u>	<u>216,463</u>
CURRENT ASSETS			
	Debtors	7	605
	Bank and cash		743
		<u>1,348</u>	<u>897</u>
			<u>1,825</u>
LIABILITIES: amounts falling due within one year			
	Provision for grants payable	8	(8,894)
	Creditors	9	(786)
		<u>(9,680)</u>	<u>(8,883)</u>
NET CURRENT LIABILITIES		<u>(8,332)</u>	<u>(7,058)</u>
LIABILITIES FALLING DUE AFTER ONE YEAR			
	Provision for grants payable	8	(2,677)
			(3,499)
NET ASSETS		<u>232,429</u>	<u>205,906</u>
FUNDS			
	Unrestricted funds		2,266
	Restricted funds		(1,360)
	Endowed funds	11	231,523
TOTAL FUNDS		<u>232,429</u>	<u>205,906</u>

Notes 1 – 11 form part of these Financial Statements

These financial statements were approved by the trustees on 6th May 2011 and were signed on their behalf by:



Professor David Rhind
Chairman

Cash Flow Statement

	2010 £000s	2009 £000s
Operating Activities		
Net cash outflow from operating activities	(10,847)	(10,587)
<i>Returns on investment and servicing of finance</i>		
<i>Investment income</i>	3,903	4,149
<i>Interest received</i>	2	2
	<u>3,905</u>	<u>4,151</u>
Capital expenditure and financial investment		
Payments to acquire tangible fixed assets	(92)	(69)
Disinvestment from portfolio	6,880	7,235
	<u>6,788</u>	<u>7,166</u>
Decrease in cash during the year	<u>(154)</u>	<u>730</u>
<i>Analysis of changes in net cash during the year</i>		
<i>Cash at bank and in hand</i>		
<i>At 1 January</i>	897	167
<i>At 31 December</i>	743	897
<i>(Decrease)/increase in cash during the year</i>	<u>(154)</u>	<u>730</u>
Net outgoing resources for the year	(7,352)	(5,775)
Depreciation	112	102
Investment income (including interest received)	(3,905)	(4,151)
Movement in current assets/liabilities :		
Reduction in grant commitments	(334)	(184)
Increase/(decrease) in creditors	309	(109)
(Increase)/decrease in debtors	323	(470)
Net cash outflow from operating activities	<u>(10,847)</u>	<u>(10,587)</u>

Notes 1 – 11 form part of these Financial Statements

Notes to the Financial Statements

1. Principal accounting policies

(a) Basis of accounting

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investments and in accordance with applicable Accounting Standards. The trustees have adopted the recommendations contained within the Statement of Recommended Practice "Accounting and Reporting by Charities" (SORP) issued by the Charity Commission in March 2005, applicable UK accounting standards, and the Charities Act 1993.

(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 credited to incoming resources when they are due. They are deferred where the donor has imposed restrictions upon when the money can be spent.

(c) Expenditure

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

Charitable expenditure comprises grants and other payments made by the trustees in accordance with criteria set out in the trust deed.

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

'Other costs' include staffing, hosting seminars and conferences, commissioned research or evaluations together with any direct costs immediately attributable to a specific activity. 'Support costs' reflect the apportionment of costs shared by all activities. The basis of this apportionment is headcount. 'Governance' comprises costs incurred in trust administration and compliance with regulatory requirements, together with its share of apportioned costs.

(d) Basis of allocation of costs

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

(e) Investments

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

(f) Taxation

The Foundation carries on activities which are exempt from corporation tax and income tax. Irrecoverable VAT is included with the expenditure to which it relates.

(g) Exchange gains and losses

All realised and unrealised exchange gains and losses on investments are accounted for in the Statement of Financial Activities.

Notes to the Financial Statements (Continued)

(h) Fixed assets

The property at 28 Bedford Square together with certain furnishings is stated at market value. Art and Antiques are based on a frozen valuation (in accordance with the transitional provisions of FRS 15 'Accounting for fixed assets') made by Phillips in March 1999. Other fixed assets are stated at cost less depreciation. Assets over a value of £5,000 are capitalised. Depreciation has been calculated at the following annual rates, in order to write off each asset over its estimated useful life.

Leasehold property	- Length of the lease
Equipment, fixtures and fittings	- 3 years to 20 years

(i) Total Return Accounting

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

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

(j) Fund Accounting

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

(k) Pension costs

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

2 Incoming resources from generated funds

	2010 £000s	2009 £000s
Voluntary Income		
Grants received in support of:		
Nuffield Council on Bioethics	501	465
School Science Bursaries	136	130
Other restricted activities	35	87
Other unrestricted activities	2	1
	<u>674</u>	<u>683</u>
		2009 £000s
Activities for generating funds		
Sales, Royalties and Fee income	<u>69</u>	<u>125</u>

Notes to the Financial Statements (Continued)

3 Resources expended

	Direct costs		Support Costs £000s	Total 2010 £000s	Total 2009 £000s
	Grants £000s	Other £000s			
Cost of Generating Funds					
Investment management	-	2,351	-	2,351	1,329
Charitable Expenditure					
Social Policy					
Children and Families	1,374	66	27	1,467	787
Law in Society	321	36	18	375	516
Open Door*	1,484	81	31	1,596	1,775
Changing Adolescence	(14)	39	45	70	105
	<u>3,165</u>	<u>222</u>	<u>121</u>	<u>3,508</u>	<u>3,183</u>
Education					
Nuffield Curriculum Programme	-	848	403	1,251	875
Education Grants	892	144	89	1,125	1,100
Maths Education	-	13	-	13	70
Grants for Women	-	-	-	-	2
	<u>892</u>	<u>1,005</u>	<u>492</u>	<u>2,389</u>	<u>2,047</u>
Capacity Building					
Undergraduate Research Bursaries	590	22	-	612	627
School Science Bursaries	368	359	134	861	755
Newly Appointed Lecturers	(2)	-	-	(2)	(5)
Rheumatism	-	79	45	124	149
Social Science Small Grants	177	54	45	276	575
New Career Development Fellowships	1	6	9	16	580
Africa Programme	519	58	36	613	411
	<u>1,653</u>	<u>578</u>	<u>269</u>	<u>2,500</u>	<u>3,092</u>
Nuffield Council on Bioethics	<u>-</u>	<u>716</u>	<u>492</u>	<u>1,208</u>	<u>1,101</u>
Governance costs					
Audit fee	-	20	-	20	17
General costs					
Trustees' remuneration	-	65	-	65	60
Trustees' expenses	-	3	-	3	1
	<u>-</u>	<u>88</u>	<u>-</u>	<u>88</u>	<u>78</u>
Total Charitable Expenditure	<u>5,710</u>	<u>2,609</u>	<u>1,374</u>	<u>9,693</u>	<u>9,501</u>
Total Resources Expended	<u>5,710</u>	<u>4,960</u>	<u>1,374</u>	<u>12,044</u>	<u>10,830</u>

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

Each trustee is entitled to an annual allowance by virtue of the provisions of the Trust Deed. This is currently £8,787 per annum. During the year three trustees claimed re-imbursment of travel and subsistence expenses (2009: seven).

Notes to the Financial Statements (Continued)

4 Personnel costs

	2010 £000s	2009 £000s
Wages and salaries	1,836	1,719
Social security costs	192	177
Other pension contributions	211	137
	<u>2,239</u>	<u>2,033</u>
Average full time equivalent number of staff employed in year:		
Grant making	9	8
Curriculum Programme and other publications	8	7
Nuffield Council on Bioethics	11	11
Support services	11	12
Other Programmes	-	1
	<u>39</u>	<u>39</u>
Remuneration of Higher Paid Staff		
Between £60,000 and £69,999	1	2
Between £70,000 and £79,999	3	3
Between £80,000 and £89,999	1	-
Between £90,000 and £99,999	1	1

Employer's pension contributions for higher paid staff were in total £58,811.

The Pensions Trust Pension Scheme

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

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

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

The latest formal valuation of the Growth Plan was performed at 30 September 2009 and this showed the Plan to have a buy out funding level of 79%. The Nuffield Foundation receives quarterly updates from the scheme's actuary on the funding level and its potential employer debt if it were to withdraw from the scheme. Based on the latest quarterly update at 31 December 2010 the funding level remained unchanged and the charity had a contingent liability of £2,077,714 in the event that it was to withdraw its membership of the Growth Plan.

The Nuffield Foundation paid contributions at a rate of 10% of member salaries during the accounting period. The Plan trustee has previously indicated that no additional contributions from participating employers are required at this time.

Notes to the Financial Statements (Continued)

5 Tangible Fixed Assets

	Leasehold Property £000s	Other assets £000s	Total £000s
Cost or valuation			
At 1 January	3,300	465	3,765
Additions	-	92	92
Disposals	-	(111)	(111)
At 31 December	<u>3,300</u>	<u>446</u>	<u>3,746</u>
Depreciation and amortisation			
At 1 January	346	260	606
Charge for year	38	74	112
Disposals	-	(111)	(111)
At 31 December	<u>384</u>	<u>223</u>	<u>607</u>
Net book value	2,916	223	3,139
At 31 December	<u>2,916</u>	<u>223</u>	<u>3,139</u>
<i>At 1 January</i>	<u>2,955</u>	<u>204</u>	<u>3,159</u>

All tangible fixed assets are held for continuing use in the Foundation's activities. The depreciated historic cost of the leasehold property is £1,219k. The lease expires on 24th December 2084 and was revalued in 2001 by Cotton Thompson Cole, Chartered Surveyors.

6. Investments

a) Investments at Market Value

	2010 £000s	2009 £000s
Market Value at 1 st January	213,204	200,572
Net disinvestment from portfolio	(6,880)	(7,235)
Realised and unrealised gains/(losses)	<u>33,875</u>	<u>19,867</u>
Market Value at 31 st December	<u>240,199</u>	<u>213,204</u>
Historic cost of listed investments at 31 st December	<u>196,115</u>	<u>189,927</u>

b) Disposition of Investments

	2010 £000s	2009 £000s
Listed Equities	174,845	141,913
UK Property Unit Trusts	-	15,416
Fixed Income	20,401	24,599
Private Equity	40,759	30,361
Cash	4,193	915
Total	<u>240,199</u>	<u>213,204</u>
Total UK investments	59,136	56,446
Total overseas investments	181,063	156,758
Total	<u>240,199</u>	<u>213,204</u>

Notes to the Financial Statements (Continued)

6. Investments (continued)

c) Income from Investments	2010 £000s	2009 £000s
Global Equities	2,615	2,295
UK Property Unit Trusts	341	731
UK Government Bonds	855	937
Private Equity	80	2
Cash	12	184
	<u>3,903</u>	<u>4,149</u>

d) Illiquid assets and investment commitments

At the year end the Foundation had undrawn commitments to Private Equity funds of £34,097,000. The expectation is that these commitments will be called over a period of up to ten years. Over a similar period current investments in Private Equity (included above) of £40,759,000 are expected to be returned. It is not possible for the trustees to liquidate these assets at their carrying value prior to the return of this capital.

e) Currency Hedging

At 31 December 2010 the charity had open forward exchange contracts to sell US dollars, Yen and Euros with a total sterling value of £55,741,103. The settlement date for all of these contracts was 16th March 2011. These contracts were entered into to reduce the charity's currency risk following the greater global diversification of its investment holdings. The forward exchange contracts have all been revalued at the applicable year end exchange rates and the resulting unrealised translation losses are included within the overall value of the equity investments above.

f) Programme Related Investments

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

7 Debtors and prepayments

	2010 £000s	2009 £000s
Accrued Income	477	542
Other debtors	128	386
	<u>605</u>	<u>928</u>
Contingent assets (potentially recoverable grants)	4	6

8 Grants Payable

a) Grants Payable

	2010 £000s	2009 £000s
Grants awarded but not paid at 1 January	11,905	12,089
Grants awarded in the year	6,032	6,453
Grants cancelled in the year	(322)	(355)
Grants paid in the year	(6,044)	(6,282)
Grants awarded but not paid at 31 December	<u>11,571</u>	<u>11,905</u>
Payable within one year	8,894	8,406
Payable after one year	2,677	3,499
	<u>11,571</u>	<u>11,905</u>

Notes to the Financial Statements (Continued)

8 Grants Payable (continued)

b) Analysis of grants awarded

	2010 £000s	2009 £000s
Awarded to individuals	-	2
Awarded to institutions	6,032	6,451
	<u>6,032</u>	<u>6,453</u>

Five largest contributions

	2010 £000s
University College London	370,602
University of Oxford	304,356
London School of Economics	273,305
Brunel University	267,032
Gingerbread	259,563

9 Creditors: amounts falling due within one year

	2010 £000s	2009 £000s
Income Tax and National Insurance	56	54
Accruals	316	322
Grant Creditors	193	-
Other creditors	177	101
Deferred Income	44	-
	<u>786</u>	<u>477</u>

10 Statement of Total Returns

Calculation of Total Return

	Permanent Endowments £000s	Expendable endowments £000s	Total £000s
Investment Return			
Investment income	157	3,746	3,903
Capital Gains/(Losses)	1,365	32,510	33,875
Investment Management costs	(94)	(2,257)	(2,351)
Total Return for year	<u>1,428</u>	<u>33,999</u>	<u>35,427</u>
Less:	(425)	(10,145)	(10,570)
Application of Return to Expenditure Reserve			
Net Total Return for the year	<u>1,003</u>	<u>23,854</u>	<u>24,857</u>
Unapplied Total Return			
at 1 st January 2010	746	17,609	18,355
At 31st December 2010	<u>1,749</u>	<u>41,463</u>	<u>43,212</u>
'Preserved Value' at 31 December 2003	7,581	180,730	188,311

Notes to the Financial Statements (Continued)

11 Funds

a) Description of funds

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

b) Fund Movements

	Balance at 1 st January 2010	Movement in Resources		Unrealised Gain/(Loss)	Transfers	Balance at 31 st December 2010
		Incoming Resources	Outgoing Resources			
Capital Funds						
Endowments						
Permanent Endowment						
Elizabeth Nuffield Fund	1,788	34	(20)	293	(91)	2,004
Commonwealth Relations Trust	6,539	123	(74)	1,072	(334)	7,326
	8,327	157	(94)	1,365	(425)	9,330
Expendable Endowments						
Oliver Bird Fund	13,258	250	(151)	2,173	(678)	14,852
Main Fund	185,081	3,496	(2,106)	30,337	(9,467)	207,341
	198,339	3,746	(2,257)	32,510	(10,145)	222,193
Total Endowed Funds	206,666	3,903	(2,351)	33,875	(10,570)	231,523
Expenditure Reserve						
Restricted Funds						
Elizabeth Nuffield Fund	-	-	-	-	-	-
Commonwealth Relations Trust	-	-	(613)	-	613	-
Oliver Bird Fund	(2,100)	-	(124)	-	678	(1,546)
Other Restricted Funds	214	672	(681)	-	(19)	186
	(1,886)	672	(1,418)	-	1,272	(1,360)
Unrestricted Funds						
General Fund	1,126	117	(8,275)	-	9,298	2,266
Total Expenditure Reserve	(760)	789	(9,693)	-	10,570	906
Total Funds	205,906	4,692	(12,044)	33,875	-	232,429

Notes to the Financial Statements (Continued)

11 Funds (continued)

c) Analysis of Funds

	Unrestricted Funds £000s	Restricted Funds £000s	Expendable Endowment £000s	Permanent Endowment £000s	Total £000s
Investments	-	-	230,869	9,330	240,199
Other fixed assets	-	-	3,239	-	3,239
Net current assets (liabilities)	2,266	(1,360)	(9,238)	-	(8,332)
Liabilities due in over one year	-	-	(2,677)	-	(2,677)
Total funds	2,266	(1,360)	222,193	9,330	232,429

Grants awarded during 2010

Social Policy: Children and Families

Name	Purpose	Value (£)	Term (m)
Ms Amy Skipp Gingerbread	Free to choose: child maintenance and single parents on benefit	249,563	19
Professor Judith Harwin School of Health Sciences and Social Care, Brunel University	FDAC evaluation project: 24-month second stage evaluation	217,707	24
Professor Jane Fortin Department of Law, University of Sussex	Taking a longer view of contact: the perspectives of young adults who experienced parental separation in their youth	151,084	18
Dr Emma Cave School of Law, University of Leeds	Medical practitioners, adolescents and informed consent	123,372	19
Professor Paul Beaumont School of Law, University of Aberdeen	International surrogacy arrangements: an urgent need for a legal regulation at the international level	112,752	24
Dr Sylvie Dubuc Department of Social Policy and Social Work, University of Oxford	The extent of prenatal sex selection against females in the UK and the possible implications	96,452	20
Professor Anne Barlow School of Law, University of Exeter	Views on pre-nuptial agreements	104,693	12
Ms Kate Groucutt Daycare Trust	Identifying quality in early years	79,672	13
Ms Hilary Woodward Cardiff Law School, Cardiff University	Pensions on divorce: an empirical study	74,788	19
Dr Juan Jose Medina Ariza School of Law, University of Manchester	Children and young adults in gangs: impact on lifecourse development	48,001	9
Ms Julia Feast British Association for Adoption and Fostering	Comparative outcomes and predictors of adult psycho-social functioning following early adversity - a forty year follow-up of Hong Kong Chinese adopted women (6 month extension)	39,084	6
Ms Penny Mansfield One Plus One	2011 Edith Dominican Lecture	19,998	6
Professor Judith Harwin School of Health Sciences and Social Care, Brunel University	Evaluation of a pilot Family Drug and Alcohol Court - extension	19,846	3
Ms Ceridwen Roberts Department of Social Policy and Social Work, University of Oxford	Family Policy Briefings: Shared Parenting	19,465	6
		1,356,477	
	Other grants	45,274	
	Cancelled grants	(28,003)	
	Total: Children and Families	1,373,748	

Social Policy: Law in Society

Name	Purpose	Value (£)	Term (m)
Professor Maurice Sunkin School of Law, University of Essex	The effect and value of judicial review in England and Wales	223,401	27
Mr Jonathan Heawood English PEN	Alternative dispute resolution for defamation: a feasibility study	99,500	12
Mr Les Allamby Law Centre NI	Administrative law and tribunal reform in Northern Ireland	19,900	9
Professor Julian Roberts Centre for Criminology, University of Oxford	Public attitudes to sentencing	19,500	7
		362,301	
	Other grants	17,571	
	Cancelled grants	(58,722)	
	Total: Law in Society	321,150	

Social Policy: Open Door

Mr Martin Dougherty The Royal Statistical Society	Getstats Campaign Director	249,700	24
Dr Meg Russell The Constitution Unit, University College London	An elaborate rubber stamp? the impact of Parliament on legislation	224,543	24
Professor John Hills Centre for Analysis of Social Exclusion, London School of Economics	What do we spend money on? Consumption patterns and national taxation levels	222,113	26
Mr Mike Brewer Institute for Fiscal Studies	Understanding the mechanisms of in-work benefits: Can they improve employment retention among lone parents?	106,320	15
Professor Mike Hough Institute for Criminal Policy Research	An evaluation of the development and impact of one-stop-shops for women diverted from the criminal justice system	90,534	18
Mr Ben Shaw Policy Studies Institute, University of Westminster	Independent mobility as a critical aspect of children's development and quality of life - an international comparative study	85,831	18
Chrysi Tzanetou Consumers International	Child health and nutrition: monitoring the marketing of food to children	82,148	11
Professor Robert Hazell The Constitution Unit, University College London	Making coalition government work in Westminster and Whitehall	76,487	12
Mr John Graham The Police Foundation	Commission on youth crime and anti-social behaviour: follow-up work	75,000	12
Dr Alan Renwick School of Politics and International Relations, University of Reading	Political Reform in the UK: The Evolution of Debate	61,293	36

Social Policy: Open Door (Continued)

Name	Purpose	Value (£)	Term (m)
Dr Meg Russell The Constitution Unit, UCL	The impact of House of Commons select committees	37,852	12
Mr John Graham The Police Foundation	Commission on youth crime and anti-social behaviour	32,400	4
Professor Adam Crawford Centre for Criminal Justice Studies, University of Leeds	The impact of anti-social behaviour interventions on young people by place, ethnicity, gender and age -	21,085	8
Professor John Cleland Population Investigation Committee, London School of Economics	PIC Archive preservation project	20,000	9
Ms Teresa Smith Department of Social Policy and Social Work, University of Oxford	History of Barnett House	19,875	30
Professor John Hills Centre for Analysis of Social Exclusion, London School of Economics	The changing distribution of wealth: Trends, drivers and policy implications	19,508	9
Professor Ann Oakley Social Science Research Unit, Institute of Education	Barbara Wootton: A biography of her life and times	16,013	6
Dr Lesley McAra School of Law, University of Edinburgh	The Edinburgh Study of Youth Transitions and Crime: criminal justice pathways and desistance from offending	15,364	10
Professor Robert Blackburn School of Law, King's College London	Supporting the House of Commons Political and Constitutional Reform Committee inquiry into whether or not to pursue a codified or 'written' constitution for the UK, through a literature review and future project planning.	15,000	9
		1,471,066	
	Other grants	80,639	
	Cancelled grants	(67,664)	
	Total: Open Door	1,484,041	
Changing Adolescence			
	Cancelled grants	(14,305)	
	Total: Social Policy	3,164,634	

Education

Professor Robert E Slavin Institute for Effective Education, University of York	Effects of Co-operative Learning and Embedded Multimedia on Mathematics Learning in Key Stage 2	179,990	28
Professor Peter Blatchford Department of Psychology and Human Development, Institute of Education	The nature of the teaching and support experienced by pupils with a statement of SEN in mainstream primary schools	156,839	19

Education (continued)

Name	Purpose	Value (£)	Term (m)
Dr Clare Wood, Department of Psychology, Coventry University	Text Messaging and Grammatical Development	144,814	27
Professor David Raffe Department of Education and Society, University of Edinburgh	Changing transitions to a differentiated higher education system	126,716	24
Professor Jim Ridgway School of Education, Durham University	Reasoning from Evidence	49,601	18
Dr Patrick Barmby School of Education, Durham University	Developing the use of visual representations in the primary classroom	40,808	15
Dr Lisa Doyle, Refugee Council	Refugees and Post-16 Learning	30,413	8
Professor Anne Watson Department of Education, University of Oxford	Secondary school mathematics: research-based guidance on teaching key ideas	27,933	15
Dr Marie-Pierre Moreau Department of Education Studies University of Bedfordshire	Supporting student parents in higher education: a policy analysis	25,255	7
		948,824	
	Other grants	43,282	
	Cancelled grants	(100,084)	
	Total: Education	892,022	

Capacity Building

Undergraduate Research Bursaries

455 Awards	641,430
Cancelled grants	(51,532)
Total: Undergraduate Research Bursaries	589,898

School Science Bursaries

1,017 Awards	368,169
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Newly Appointed Lecturers

Cancelled grants	(1,593)
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Rheumatism Programme

1 supplementary grant	197
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Social Science Small Grants

16 awards	177,456
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New Career Development Fellowships

1 supplementary grant	500
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Africa Programme

Name	Purpose	Value (£)	Term (m)
Dr Wilhelm Krull Volkswagen-Stiftung	Developing research capacity in Africa in engineering	150,000	18
Dr Stephen Gordon Clinical Research Group, Liverpool School of Tropical Medicine	Research training in methods for epidemiological, clinical and operations research	118,423	20
Professor Michael Noble, CBE Department of Social Policy and Social Work, University of Oxford	Courses for South African civil servants on evidence based social policy	94,362	12
Professor John Akker Council for Assisting Refugee Academics	Developing the intellectual capital of Zimbabwe: a CARA grant and fellowship programme for Zimbabwean academics	75,000	12
Dr Melita Gordon Gastroenterology Unit, University of Liverpool	Undergraduate medical student training in health research: Universities of Malawi and Liverpool	72,000	36
		509,785	
	Other grants	8,850	
	Cancelled grants	-	
	Total: Africa Programme	518,635	
	Total: Capacity Building	1,653,262	
	Total: Grants Awarded	6,031,821	
	Total: Grants Cancelled	(321,903)	
	Total All Programmes	5,709,918	

Summary of Financial Objectives and Investment Strategy

Objectives

1. Financial Objective
 - 1.1. to maintain (at least) the Foundation's endowment in real terms
 - 1.2. to produce a consistent and sustainable amount for expenditure
 - 1.3. to deliver 1.1) and 1.2) within acceptable levels of risk
2. Capital Maintenance
 - 2.1. The Foundation seeks to protect its endowment from its current experience of inflation (based on $\frac{2}{3}$ Average Earnings Index and $\frac{1}{3}$ Retail Price Index).
 - 2.2. The Foundation's composite inflation index is applied to the endowment value of £188,310k (the value on 31st December 2003).
3. Distribution rate
 - 3.1. The Foundation intends to distribute 4% of the average of the previous twelve quarter rolling market values. (4.5% from 2009 for five years).
 - 3.2. Where market values lie outside the indexed base value with an allowance for volatility (+/- 16%) a review of distribution rates will be triggered.

Investment Principles

4. Decision Making & Governance
 - 4.1. The Investment Committee is responsible to the trustees for investment decisions. It includes three trustee members and two independent investment professionals as advisors (who serve for three year terms). The committee is supported by staff of the Foundation. It is advised by investment consultants (appointed by trustees).
 - 4.2. The committee appoints investment managers (and terminates their appointments), recommends to trustees strategic asset allocations and reviews investment performance.
 - 4.3. Investment management is delegated to authorised commercial discretionary managers, properly licensed by the FSA, whose mandates are reviewed regularly.
5. Investment objective
 - 5.1. The Foundation requires a diversified portfolio which will provide the best return for an agreed measure of risk and liquidity
6. Ethical and other restrictions
 - 6.1. Prohibitions on segregated investment in tobacco companies (equity or bonds).
 - 6.2. No stock lending.

7. Asset allocation and ranges

Asset Class	Target	Range
<i>Real Assets</i>		
Global Equities	70%	
Private Assets	20%	
<i>Total Real Assets</i>	90%	
Nominal assets	10%	8% - 15%
<i>Total assets</i>	100%	

8. Principal benchmarks

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

9. Manager Structure and benchmarks

Asset Class	Manager
<i>Real Assets</i>	
Global Equities	Acadian, Harding Loevner, Longview, Marathon, Aberdeen, Veritas
Private Assets	Various illiquid funds
<i>Nominal Assets</i>	
Fixed Interest	Objective Completion
Custodian	Northern Trust

Asset Class	Benchmark	Target
Total Equities	MSCI WI	+ 2%
Private Assets	MSCI ACWI	+ 4%
Fixed Interest	5 – 15yr ML Gilt index	-

10. Performance assessment

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

Effective from 1st April 2003

Ten Year History

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Statement of Financial Activities										
Incoming Resources										
Investment income (net of charges)	7.29	5.67	5.52	5.26	5.92	4.92	4.55	5.74	2.82	1.55
Other income	1.35	0.69	0.65	0.82	0.62	1.07	1.01	1.25	0.91	0.79
Total incoming resources	8.64	6.36	6.17	6.08	6.54	5.99	5.56	6.99	3.73	2.34
Expenditure										
Grants made	5.22	6.37	8.87	5.58	5.22	6.41	7.68	7.01	6.10	5.71
Projects managed internally										
Curriculum Development	0.70	0.80	0.86	0.78	0.99	1.01	1.01	1.28	0.87	1.25
Council on Bioethics	0.56	0.78	0.57	0.71	0.76	0.88	0.87	0.94	1.10	1.21
Other projects	0.01	0.24	0.12	0.18	-	-	-	-	-	-
Support costs	1.13	0.87	0.95	0.64	1.02	1.28	1.41	1.41	1.35	1.43
	2.40	2.69	2.51	2.31	2.76	3.16	3.28	3.63	3.32	9.60
Charity administration	0.11	0.15	0.27	0.35	0.11	0.09	0.07	0.07	0.08	0.09
Total Expenditure	7.73	9.21	11.64	8.24	8.09	9.66	11.04	10.71	9.50	9.69
Net Movement on Funds	0.91	(2.85)	(5.47)	(2.16)	(1.56)	(3.68)	(5.48)	(3.72)	(5.77)	(7.35)
Other Gains and losses	(28.79)	(38.28)	20.13	17.24	29.43	23.36	10.21	(59.19)	19.87	33.88
Funds at beginning of year	241.70	213.82	172.69	187.35	202.43	230.30	249.99	254.72	191.81	205.91
Funds at end of year	213.82	172.69	187.35	202.43	230.30	249.99	254.72	191.81	205.91	232.44
Balance Sheets										
Fixed Assets										
Investments	207.60	169.34	191.44	208.13	235.54	256.18	261.71	200.57	213.20	240.20
Tangible Fixed Assets	3.72	3.66	3.56	3.54	3.45	3.34	3.27	3.19	3.16	3.14
Programme Related Investment	-	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
	211.32	173.10	195.10	211.76	239.09	259.62	265.09	203.86	216.46	243.44
Current Assets										
Cash and short term deposits	8.72	6.80	2.49	0.95	0.45	0.65	0.45	0.17	0.90	0.75
Other current assets	1.80	1.06	0.77	0.64	0.65	0.53	0.95	0.46	0.93	0.61
	10.52	7.86	3.26	1.58	1.10	1.18	1.40	0.63	1.83	1.36
Liabilities	(8.02)	(8.27)	(11.01)	(10.92)	(9.88)	(10.81)	(11.77)	(12.68)	(12.38)	(12.36)
Net Current Assets	2.50	(0.41)	(7.75)	(9.34)	(8.79)	(9.64)	(10.37)	(12.05)	(10.55)	(11.00)
Total Net Assets	213.82	172.69	187.35	202.43	230.30	249.99	254.72	191.81	205.91	232.44
Reserves										
Income/Expenditure reserves	5.75	3.35	(0.96)	(1.30)	(0.66)	(1.69)	(3.24)	(3.33)	(0.76)	0.91
Endowments	208.07	169.34	188.31	203.73	230.97	251.68	257.96	195.14	206.67	231.53
	213.82	172.69	187.35	202.43	230.30	249.99	254.72	191.81	205.91	232.44
Performance										
Total Returns (12 months to 31)										
Investments (net of fees)	-10.2%	-17.4%	15.2%	12.3%	17.3%	12.5%	5.9%	-20.7%	12.4%	17.2%
Benchmark (WM 2000/Bespoke)	-9.7%	-16.5%	16.5%	11.4%	19.1%	12.2%	6.3%	-18.0%	17.0%	15.1%
Change in Indices (12 months to 31)										
Expenditure/Investments	3.7%	5.4%	6.1%	4.0%	3.4%	3.8%	4.2%	5.3%	4.5%	4.0%
Growth in Foundation										
Expenditure	-13.0%	19.2%	26.4%	-29.3%	-1.7%	19.4%	14.2%	-2.9%	-11.3%	2.0%
Increase in RPI	0.7%	2.9%	2.8%	3.5%	2.2%	4.4%	4.0%	0.9%	2.4%	4.8%
Increase in Average Earnings	2.1%	3.4%	3.4%	4.2%	3.8%	3.8%	3.6%	3.2%	1.2%	2.3%

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.