

Nuffield
Foundation
Trustees'
Report and
Financial
Statements
2013

Reference and administrative details

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Chairman's foreword

2013 was a remarkable year for the Foundation, not least because it saw us make commitments to spend a record £30.9 million. The main reason for this is the 15 five-year grants made under Q-Step, our new programme to promote a step-change in quantitative social science training for undergraduates. The £19.2 million Q-Step grant funding includes the additional funding received from our partners in the programme, the Economic and Social Research Council (ESRC) and the Higher Education Funding Council for England (HEFCE), amounting to £12 million of the total. Aside from that, our grant budget remains stable, and in fact, we have spent slightly less on other grants than budgeted.

It was also a record year for investments, with our portfolio at a high of £275 million and a return for the year of 16%, although we are very conscious that investments can go down as well as up. We have altered our distribution formula so that we plan to allocate the same amount (in real terms) from our endowment over the next five years in order to ensure spending stability as well as to preserve our capital. A full financial review of 2013 can be found on page 26 of this report.

Summer 2013 saw the 50th anniversary of Lord Nuffield's death, and to commemorate his extraordinary philanthropy, Nuffield College published a volume of essays, *Lord Nuffield: a philanthropic legacy*, to which we were pleased to contribute. Lord Nuffield, born William Morris in 1877, was a pioneer in both manufacturing and philanthropy. At one time, his company, Morris Motors, manufactured more than half the cars sold in the UK. And over his lifetime he donated what equates to about £1.5 billion in today's money to philanthropic causes.

The Foundation was Lord Nuffield's largest benefaction and while the size of our endowment has changed, our commitment and aspirations remain much the same. We aim to improve social well-being, especially by means of research relevant to public policy, and to do so not only in the short term but for generations to come.

Of course, the Foundation's Trustees and staff are fortunate to work with some inspiring and talented people, not least our grant-holders, referees, and others who help us in many other ways, such as by providing work-placements for young science students. On behalf of the Foundation, I extend my thanks to all of them. Finally, I would like to thank the high calibre and hard-working staff of the Foundation: our successes owe most to them.



Professor David Rhind
Chairman

Objectives and activities

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

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

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

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

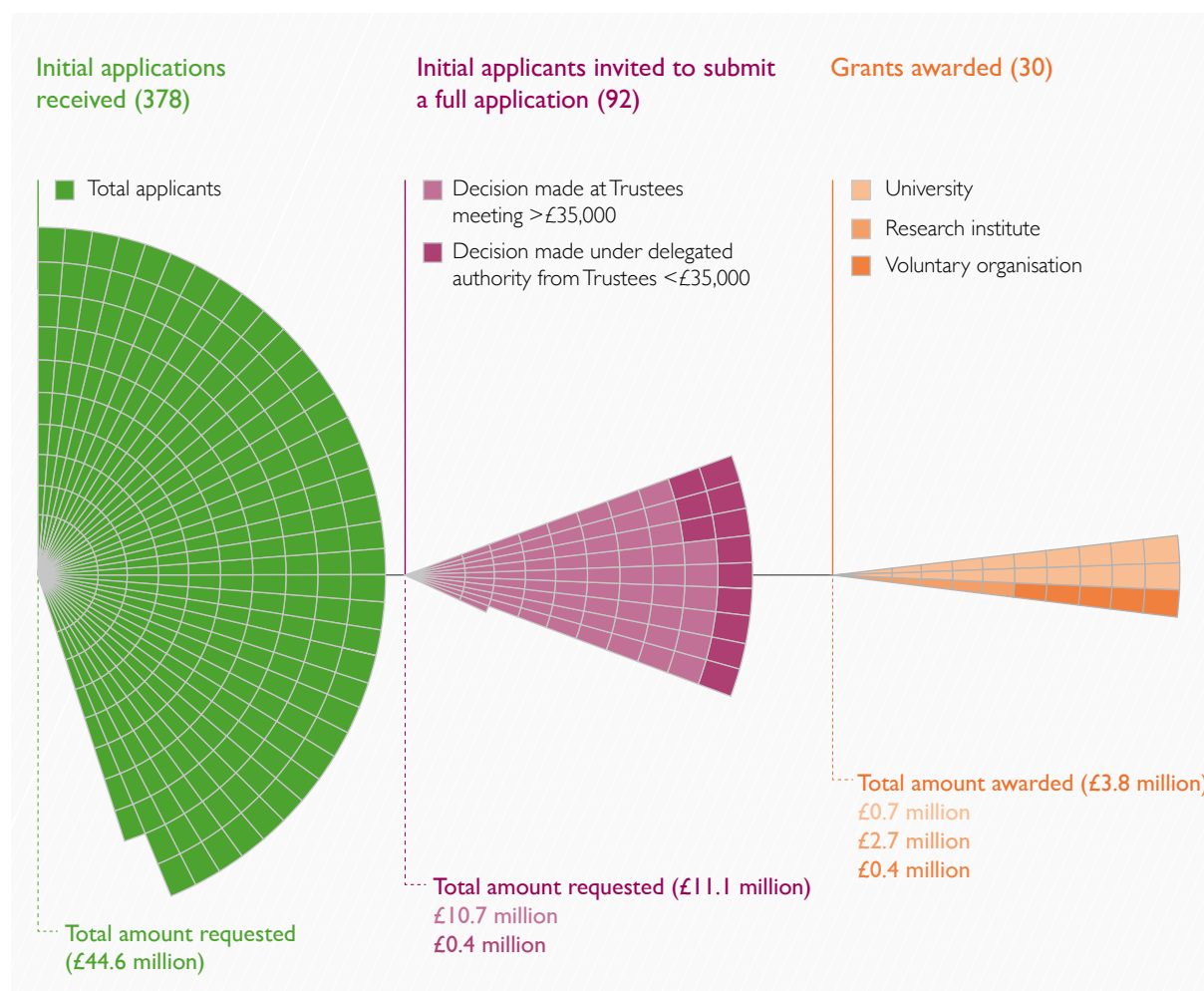
We achieve our objectives by:

- Making grants for research and innovation in various areas of social and education policy. All the projects we fund must have the potential to improve policy and practice in the short or medium term.
- Funding capacity-building programmes in science and social science. Current programmes include: Q-Step, a programme designed to promote a step-change in quantitative methods training for UK social science undergraduates; Nuffield Research Placements for 1,072 school and college students to work on STEM (science, technology, engineering and maths) research projects; and the Oliver Bird Rheumatism Programme to increase postgraduate capacity in rheumatic disease research.
- Supporting grant-holders past and present in their efforts to disseminate their work to achieve policy or practical impact. This includes hosting meetings and seminars at the Foundation and identifying opportunities to present the work we fund to the right people at the right time. In 2013, we hosted over 150 events at the Foundation, relating to all areas of our work.

Grant-making highlights 2013

Grants for research and innovation

Number and total value of initial applications, full applications, and grants awarded under our Education, Children and Families, Law in Society and Open Door programmes (excluding supplementary grants)



Time trends expenditure for Education, Children and Families, Law in Society and Open Door programmes (excluding supplementary grants)

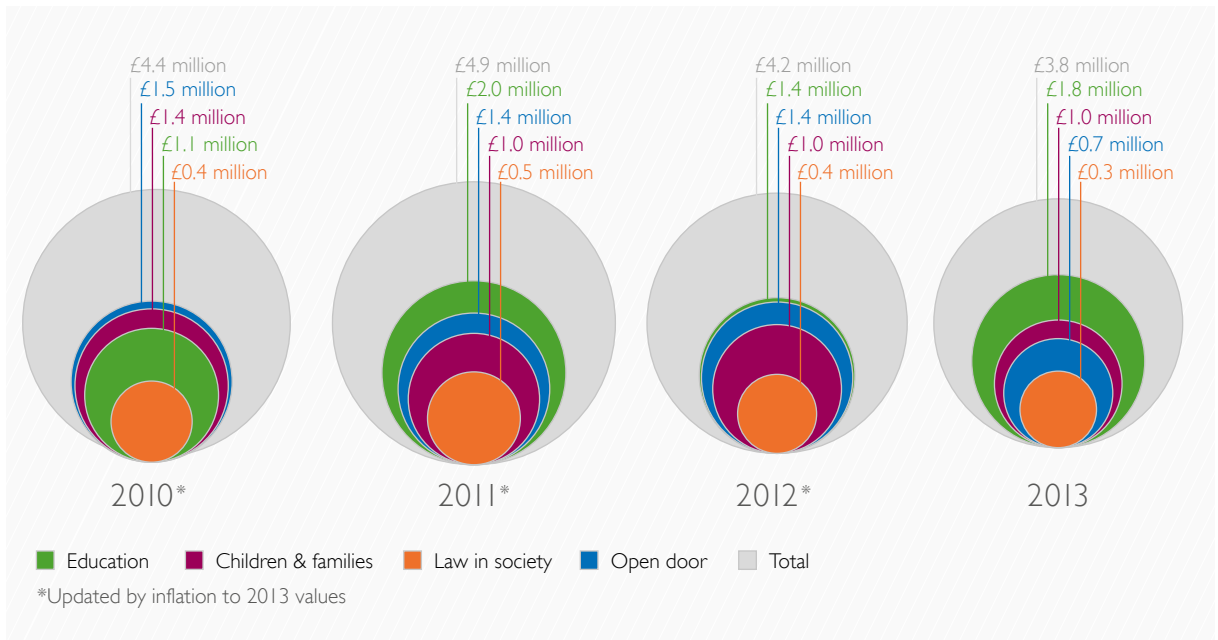
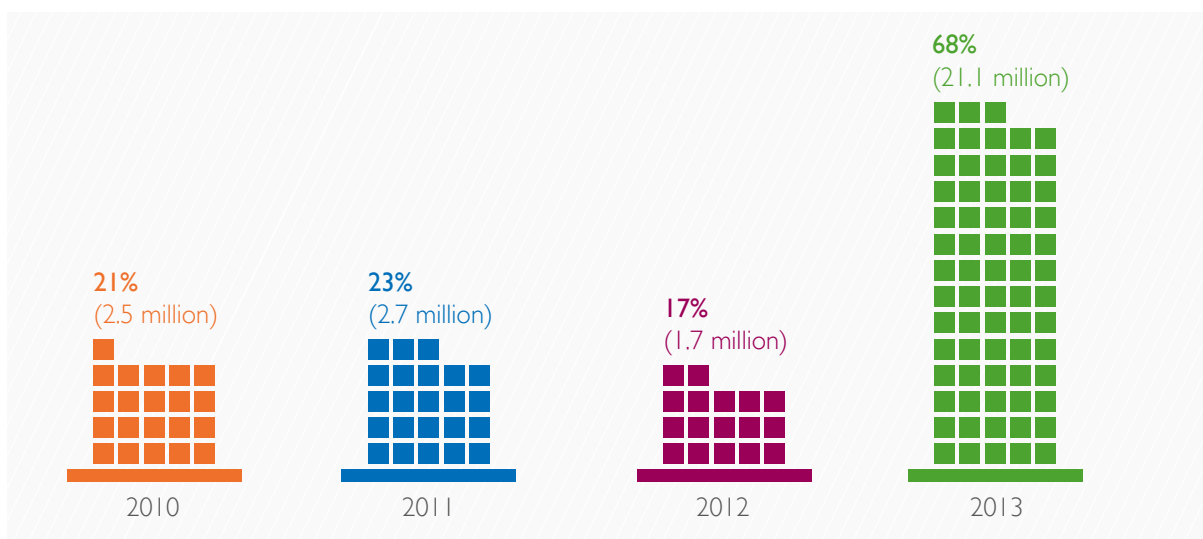


Table 1 | Grants awarded under our Education, Children and Families, Law in Society and Open Door programmes by primary type of project (excluding supplementary grants)

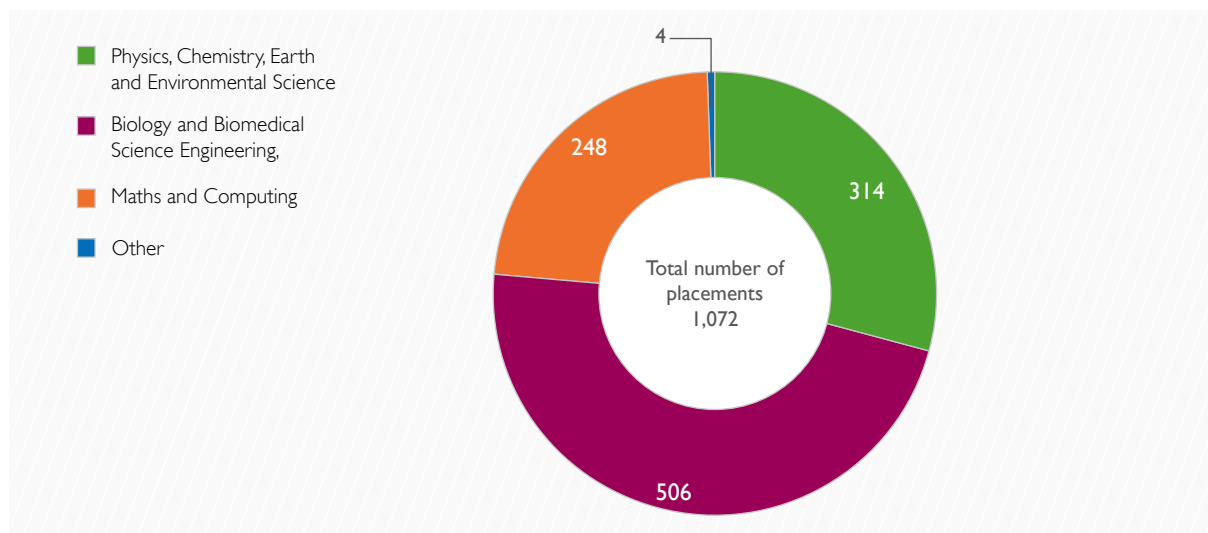
Primary typology	2012		2013	
	Number of grants	Amount awarded	Number of grants	Amount awarded
Descriptive research	19	£2.2 million	17	£2.3 million
Development/Practical work	12	£0.7 million	5	£0.6 million
Experimental interventions	2	£0.3 million	3	£0.4 million
Causal research	5	£0.4 million	2	£0.3 million
Evaluation	1	£0.1 million	1	£0.1 million
Research and policy reviews	10	£0.4 million	1	£0.08 million
Other	1	£0.01 million	1	£0.02 million
TOTALS	50	£4.1 MILLION	30	£3.8 MILLION

Capacity-building programmes

Total expenditure on capacity building programmes



Number of Nuffield Research Placements provided in 2013
by subject area of research project



Achievements, performance and future plans

Our work in 2013

This was the first full year since 2012's strategic review of our activities. One of the key conclusions of that review was the need to concentrate more resources in our areas of special interest if we are to fund work capable of stimulating institutional change. Another was the need to develop new interests and initiatives that could set the agenda in the fields in which we work. In light of this, we made the following progress towards these goals:

- We made 15 grants amounting to £19.2 million to universities under Q-Step, our programme designed to promote a step-change in quantitative training for social science undergraduates. The programme, funded and administered jointly with the ESRC and HEFCE, is the largest capacity-building programme we have run for many years.
 - We have strengthened our commitment to mathematics education and have seen a growing cluster of grants in this area. We are particularly keen to support the promotion of mathematics and quantitative skills generally across all subjects and through transitions from one stage of education to the next.
 - We launched a competition to stimulate further work in administrative justice, an area where capacity for empirical research remains a concern. Results will be announced later in 2014.
 - We highlighted our continuing interest in funding projects on economic advantage and disadvantage and on the finances of ageing, and will continue to emphasise our work in these areas by publishing more specific criteria and guidance for applicants.
- It was the final year of our funding of Undergraduate Research Bursaries following our decision to transfer responsibility for these to other organisations providing similar opportunities. Grants were made to relevant learned societies and subject associations to aid the transition.
 - We have made progress in our plans to widen access to our Nuffield Research Placements programme by increasing the proportion of participating students from less well-off backgrounds.
 - Last year we reported our plans to review our Africa Programme in 2013 in light of our concern that it was spread too thinly. Funding comes from the Commonwealth Relations Trust, a restricted purpose subsidiary trust of the Nuffield Foundation generating about £320,000 each year. This year we spent the restricted funds on making a final grant to the European Foundation Initiative for Neglected Tropical Diseases of £300,000 over three years; and on a grant of £587,287 over five years to identify psychosocial, family and service mechanisms to improve adherence to antiretroviral medication among adolescents in Southern Africa (under our Children and Families programme). As a result, we have postponed the review, as the fund will not be in surplus until the end of 2015 or later.

The following pages present a narrative account of our work other than grant-making during 2013. We focus on the results and impact of grants made in previous years, reflecting in part our duty to consider the public benefit of the work that we fund. A comprehensive list of new grants made during 2013 is provided on pages 17–23.

S**SOCIAL POLICY**

Our *Children and Families* programme supports 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.

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

We fund proposals of exceptional merit that lie outside our main programme areas under our *Open Door* programme. This includes a continuing interest in economic advantage and disadvantage, and in the financial aspects of ageing such as pensions and social care.

Children and families**Contact following separation and divorce**

Several projects funded by our Children and Families programme were influential in the debate – in Parliament, and among policy-makers and the public – on the *Children and Families Bill*. Last year we reported that Professor Jane Fortin's study of the recollections of young adults whose parents had separated had been referenced in debate about how to ensure that children had appropriate post-separation contact with both parents, both by the Justice Committee in its pre-legislative scrutiny of the Bill, and in the Bill's second reading in the House of Commons.

In 2013, findings from two other studies funded by the Foundation also had an impact on the debate about the Bill. Professor Liz Trinder from the University of Exeter published findings from her analysis of family cases returning to court to request enforcement of a Contact Order, funded by a grant of £71,563 in 2012. She found very few cases where one parent

unreasonably withheld contact from the other; and concluded there was no evidence of a need for new punitive sanctions.

Similarly, preliminary findings from Dr Maebh Harding's study of how the County Courts actually use contact orders and the reality of contact after the final order were referenced in the House of Lords in the debate on the relevant clause of the Bill. Dr Harding's project was awarded a grant of £106,453 in 2012 and her final report will be published in 2014.

Collectively, these studies provide evidence about the complexity of some of the issues family courts have to consider; and challenge the perception of a widespread bias against fathers in contact disputes. In response to this and other evidence, the House of Lords amended the Bill to clarify that significant parental involvement should not presuppose any particular division of a child's time, and this amendment was accepted by the Commons. The *Children and Families Act* received Royal Assent in March 2014.

Child maintenance

Forthcoming changes to the child maintenance system will promote greater use of private arrangements between parents, as well as the introduction of charges for using a statutory collection service. But new evidence published by the Foundation in June suggests that this is likely to disadvantage some parents and children, particularly if they are on low incomes. In addition, the research showed that public opinion is broadly supportive of state intervention to enforce non-resident parents' obligations to pay maintenance.

The first of two studies on this topic, *Kids aren't free*, funded with a grant of £289,000 in 2011, involved researchers from Gingerbread, NatCen and Bryson Purdon Social Research (BPSR). The team looked at how the poorest single parents, those on out-of-work benefits, had fared over time and concluded that a statutory collection service will remain the only option for many of these parents, who risk becoming poorer; either because they will have to pay to use the statutory

service, or because the new charges may lead them to give up on child maintenance altogether.

The second study was led by Stephen McKay and Caroline Bryson, who collected data on public attitudes towards child maintenance through the inclusion of new questions in NatCen's British Social Attitudes survey, funded by a grant of £198,674 in 2011. The public's response, published in *British Social Attitudes 30* in June showed that public opinion favours greater state intervention in child maintenance rather than less, in order to ensure that fathers support their children. Interviews with 3,248 adults revealed that 60% thought the law should set a minimum amount for child maintenance rather than leaving it to parents to decide.

Gaps in the evidence

In July, we hosted a seminar to look at research on post-separation child contact and maintenance payments in order to identify research gaps and how they might be addressed. A key issue is the lack of information about relationships within these families *before* parental separation. We are currently funding a project led by Dr Tina Haux which aims to explore the relationship between pre- and post-separation contact, using data from the Millennium Cohort Study. Our funding of these projects attests to our sense that child welfare in the event of family break-ups will remain a significant concern for public policy, and that robust evidence is needed to ensure child welfare remains at the centre of public policy responses.

Lone mothers, work and depression

In December we published findings from Dr Susan Harkness' study of the changing relationship between work and mental health for lone mothers, funded by a grant of £95,835 in 2010. Dr Harkness found that depression among lone mothers in work fell between the mid-1990s and the mid-2000s, but increased among those not in work. This supports recent policy changes, still controversial in some circles, to ensure lone parents do not spend long periods out of work. However, a crucial factor in reducing the risk of depression is being able to balance work and childcare, and Dr Harkness cautions that reforms that increase pressure on lone parents to move into work or to work longer hours without attention to childcare could risk pushing up the rate of maternal depression.

Law in society

Judicial review

Judicial Review allows individuals to appeal against the decisions of public bodies. In response to a rise in the number of cases, the government has proposed controversial changes to restrict access to Judicial Review. Evidence from one of our Law in Society projects has been critical in informing many responses to the proposals. Professor Maurice Sunkin (University of Essex) and Varda Bondy (Public Law Project) have been undertaking a project to assess the value and effect of judicial review. They found, amongst other things, that the main reason for the rise in Judicial Review over the past decade was asylum appeals, which have recently been transferred to the First Tier Tribunal (Immigration and Asylum Chamber); outside of these appeals, there was no upward trend in judicial review. Their work was funded with a grant of £223,401 in 2011 and their final report will be published in 2014.

Tribunal decision-making

In December, we published preliminary findings from the first UK empirical study of judicial decision-making using case simulation. Professor Dame Hazel Genn and Professor Cheryl Thomas from the UCL Judicial Institute were awarded a grant of £201,140 in 2008 to examine whether having oral hearings mattered to case outcomes in tribunal decision-making.

They found that appeals featuring oral hearings were more than twice as likely to be successful than those comprising only a written submission. However, it was not the oral format in itself that increased the likelihood of a successful outcome, but the fact that an oral hearing provides additional information to that in the written submission. When this additional information is presented to tribunal panels in written form, there is little difference in decisions between oral hearings and written cases. Closer examination suggested that current methods of eliciting information from claimants in existing 'claim forms' is inadequate and that a redesign could result in better information, fairer decision-making and reduced costs and appeals. We will publish full findings in 2014.

Economic advantage and disadvantage

Green Budget

In February, the Institute for Fiscal Studies (IFS) published its Green Budget, supported by a grant of £131,010 from the Foundation. The Green Budget – so called by analogy with a 'green paper' compared to a 'white paper' – provides a comprehensive and independent assessment of the state of public finances, and various policy options in the run up to the annual Budget. In November, we made a grant of £300,000 to continue to support this work over the next three years.

Changing distribution of wealth

In May, Professor Sir John Hills from the London School of Economics Centre for Analysis of Social Exclusion (CASE) published his descriptive study of time trends in the changing distribution of wealth over the last two decades, funded by a grant of £244,811 in 2008. He found that wealth is far more unequally distributed than income or earnings, and that tax, benefit, social care, housing and education policies are inconsistent and fail to narrow the wealth gap. A series of presentations and CASE papers associated with the project are available from the CASE website, and a book, *Wealth in the UK: Distribution, Accumulation and Policy* is available from Oxford University Press.

Social Policy in a Cold Climate

We are funding a project that will enable, amongst other things, better public evaluation and debate of the effects of social policy changes made by both the current Coalition Government and the previous Labour Government. The project, *Social Policy in a Cold Climate*, is also being undertaken by CASE and is jointly funded with the Joseph Rowntree Foundation and the Trust for London.

Findings from stage one were published in July, covering the period 1997–2010. Researchers concluded that the Labour government's increased social spending delivered major improvements to services and social outcomes. There was a reduction in rates of child and pensioner poverty, shorter hospital waiting times, improved teacher-pupil ratios and improvements in neighbourhood facilities. But following the 2008 recession, poverty for working age people without children rose and there was no significant change in overall levels of income inequality, while wage inequalities grew as a result of continuing increases

at the top of the scale. The second stage, including up-to-date data on social policy under the Coalition Government, will be published early in 2015.

Economics of ageing

Pensions continue to be an area of interest. In May 2013, the Institute for Fiscal Studies (IFS) published findings from its study of the effect on the labour market of increasing the female state pension age. The study was funded with a grant of £70,000 in 2012. Researchers found that raising the state pension age for women, first legislated for in 1995, has had a strong effect in increasing employment among those women directly affected by the reform. It has also changed the behaviour of many of the husbands of these women, possibly because they are delaying their own retirement so they can retire with their wives, or perhaps to cover their wives' lost pension income with additional earnings.

May 2013 also saw the latest output from the Pensions Policy Institute's (PPI) assessment of the impact of the Coalition Government's proposed reforms on the four largest public service pension schemes. The analysis covered the NHS, Teachers, Local Government and Civil Service Pension schemes, and was funded with a grant of £76,200 in 2012. The PPI concluded that the reforms would reduce the average value of the pension benefit of these schemes by more than one third, and reduce long-term government expenditure on unfunded public service schemes by around a quarter.

Open Door

Evidence and fact-checking

In 2011 we awarded a grant of £175,000 to non-partisan fact-checking organisation Full Fact. Since its launch in 2010, MPs, Ministers, government departments, pressure groups and nearly every national newspaper have issued corrections as a result of Full Fact's research. In September, the organisation began working in collaboration with the BBC television programme *Question Time* to fact-check the programme's contents and the guests' statements, including links to source material and to alternative statistics to those featured on air. In November, Full Fact won the Political Transparency Award from the Political

Studies Association, "in recognition of the important strides they have made towards ensuring that public debate is based on fact rather than fiction."

E

EDUCATION

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

Our current focus is on foundations for learning, secondary education transitions, and science and mathematics education.

Post-16 mathematics

In 2013 we continued to see further impact of our post-16 mathematics education work on government policy.

In January we published *Towards Universal Participation in post-16 Mathematics: lessons from high-performing countries*. The report was a follow-up to *Is the UK an outlier?* (2010), a study of mathematics education in 24 countries which revealed that England, Wales and Northern Ireland were the only countries in which fewer than 20% of students studied mathematics post-16. *Towards Universal Participation* concluded that compulsion, the provision of appropriate options for all students, and the breadth of the post-16 curriculum in general were factors driving high levels of participation in some countries, but which were not evident in England, Wales and Northern Ireland. Both studies were led by Professor Jeremy Hodgen at King's College London and commissioned by the Foundation.

We hosted a seminar to disseminate and discuss the report's findings. Education Minister Liz Truss MP spoke and Professor Sir Adrian Smith, Vice Chancellor of the University of London, responded to the presentation of findings. The report recommended the development of a new post-16 mathematics qualification to provide a clear and attractive alternative for students who do not currently go on to study AS or A level Mathematics. The recommendation was that the qualification should focus on mathematical fluency, modelling and statistics, and that higher education institutions should be encouraged to value the qualification to promote take-up. This recommendation

has since been partly taken up by the Department for Education in its Policy Statement on the *Introduction of 16 to 18 core maths qualifications*, although development is still at an early stage. We will continue our policy work in secondary mathematics education in 2014.

Evaluations of education interventions

Professor Robert Slavin's evaluation of *PowerTeaching Maths*, a teaching approach designed to improve performance through co-operative learning and the use of embedded multimedia, was published in April. A cluster randomised controlled trial undertaken in 42 schools found no difference between the *PowerTeaching Maths* group and the control group in terms of gains in mathematics learning. Both groups comprised Key Stage 2 pupils who were tested at the start and end of the academic year 2011/12. Although the intervention did not improve attainment, the evaluation shows that randomised trials on a large scale are both possible and valuable when it comes to determining what works in the classroom. Professor Slavin's project was funded with a grant of £169,978 in 2010; we hope to fund more of these kinds of evaluation in future.

In November, we published findings from Professor Stephen Gorard's study of parental involvement interventions, funded with a grant of £51,296 in 2012. Professor Gorard reviewed 68 evaluations of parental involvement programmes designed to raise children's attainment, with the aim of trying to ascertain which were the most successful. However he concluded that all the evaluations were too flawed to be considered high quality evidence. Common problems included small sample sizes and misuse of statistical techniques.

These findings demonstrate that if public money is to be invested in large-scale interventions, then high quality rigorous evaluations are essential if we are to understand 'what works'. Professor Gorard's findings indicate a failure in this area, with the implication that money may be wasted on ineffective interventions. As a funder, we are concerned about the shortage of rigorous research evidence, not only in education, but across many areas of social policy. This is partly a problem of research skills and capacity, and we are taking steps to address this in the longer term, for example by investing in quantitative skills training for social scientists through our Q-Step programme (see page 16). We will be looking for other opportunities to support high quality projects in this area in future.

Practical work for learning

In June we launched *Practical Work for Learning*, a website for secondary school science teachers to apply different pedagogical approaches to practical activities in science education. For each approach, the site features lesson plans, resources and guidance. The project was undertaken in partnership with the Institute of Physics, The Royal Society of Chemistry and the Society of Biology. It is a companion site to our suite of practical science websites that together provide close to 1,000 practical classroom activities.

Higher education

June saw the publication of a Nuffield-funded report from the University of Edinburgh into transitions from school to university. Led by Professor David Raffé, the project used UCAS data from 1996 to 2010 and found that the proportions of students from different social backgrounds in UK universities had remained static following the introduction of tuition fees. Students from ethnic minority backgrounds increased from 12% to 19% over the period. Students from Asian backgrounds in particular have increased their representation in older universities. Professor Raffé's study was funded with a grant of £136,716 in 2011.

Birth month study

In May the IFS published the final report from its study into the relationship between month of birth and educational outcomes, which received a grant of £129,970 in 2009. Researchers found that relative to children born in September, those born in August are on average less likely to achieve good GCSE grades, less likely to go to university, and have lower confidence in their academic ability. In addition, they are more likely to be labelled as having mild special educational needs, and more likely to engage in risky behaviours such as underage smoking.

The researchers, led by Claire Crawford, concluded that children born in August end up with worse exam results, on average, than children born in September simply because they are 11 months younger when they sit national achievement tests. They recommend that test scores should be adjusted to account for this, and that these age-adjusted scores should be used to calculate school league table positions.



CAPACITY BUILDING

We believe policy and practice should be influenced by independent and rigorous evidence. We aim to ensure longer-term capacity for such work by supporting the development of young scientists and social scientists.

Nuffield Research Placements (NRP)

Nuffield Research Placements are designed to encourage more young people, particularly those from less well off backgrounds, to choose a career in science, technology, engineering and maths (STEM). They provide Year 12 students with the opportunity to spend their summer holidays working on a research project in a professional environment. Students are recruited by a network of regional coordinators; 1,072 students undertook a research placement in 2013.

Last year we reported on the changes to the structure of the programme, including the introduction of targets for coordinators to increase the proportion of students from less well-off backgrounds. We have made good progress against these targets. **Figure 1** shows the Free School Meals (FSM) categories of the participating students' schools over a three year period. Category 0 represents schools with no students eligible for FSM (and those where there is no data – mainly independent schools) and Category 4 represents schools with the highest proportion of students eligible for FSM. We have made significant increases in the participation of students in categories 3 and 4, with 41% of students now coming from these, outperforming our target of a nationally representative figure of 37%. FSM data is not available for sixth form and further education colleges so these are shown separately.

Figure 2 shows how, using the IMD (Indices of Multiple Deprivation) measure relating to home postcodes, we have seen a significant shift this year in the beneficiaries of the programme, particularly from the most advantaged deciles to the most disadvantaged deciles.

In 2014 we will continue to widen access to the programme by providing additional support for hard to reach students which will include pre-application sessions, skills days, and expansion of our mentoring programme following recommendations from the pilot.

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

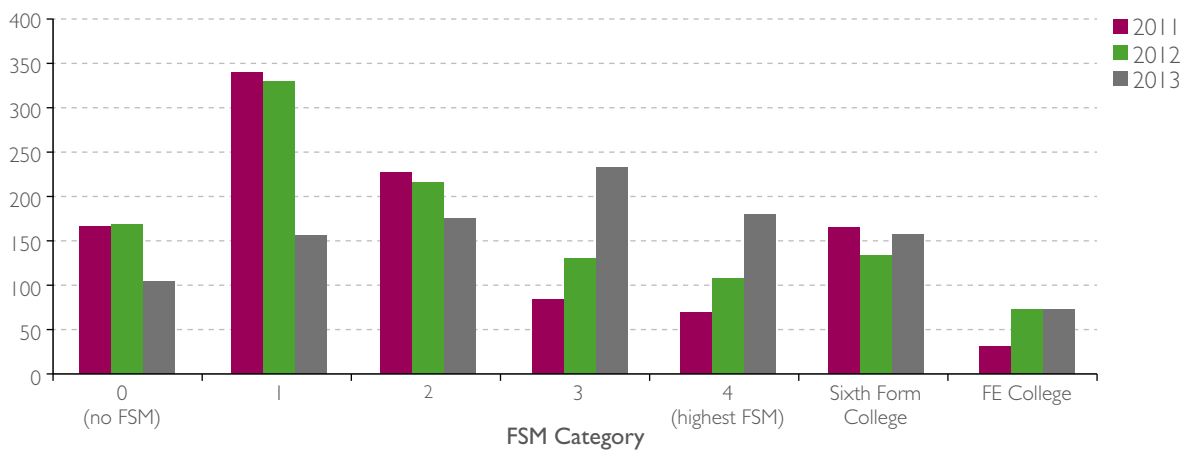
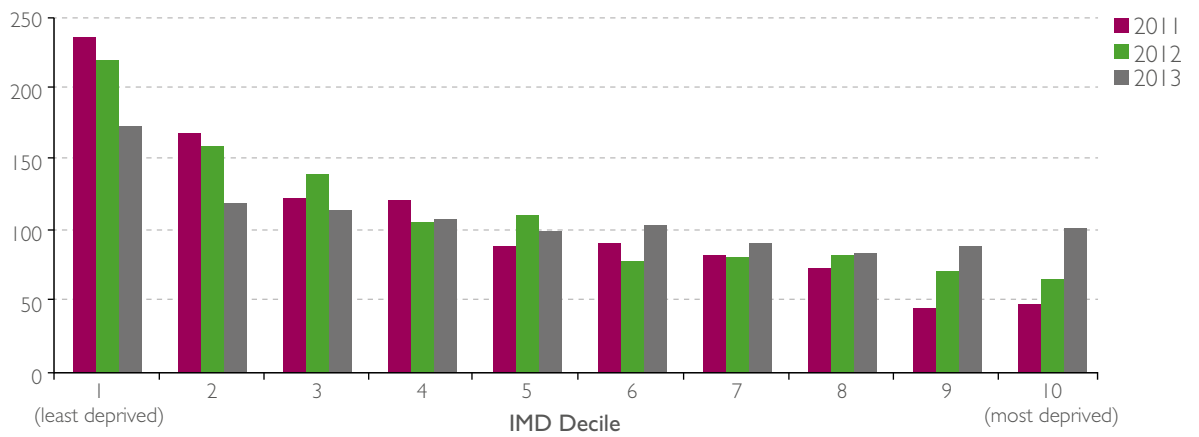


Figure 2 | Nuffield research placement students by Indices of Multiple Deprivation Decile



Q-Step

In October we announced the successful universities in the competition for funding from Q-Step, our new programme to promote a step-change in quantitative social science undergraduate training. Q-Step is co-funded by the ESRC and HEFCE.

The fifteen universities, selected from a total of 48 who applied, will form a network of 'Q-Step Centres'. These include new courses, new content for existing courses, and experiments in new ways of teaching, as well as providing relevant work placements and pathways to postgraduate study. A total of 53 new full time posts are being created in UK universities as a result of the programme.

The universities receiving Q-Step awards are: University of Bristol, Cardiff University, City University London, University of Edinburgh, University of Exeter, University of Glasgow, University of Kent, Manchester Metropolitan University, University of Manchester, University of Oxford, Queen's University Belfast, University of Sheffield, University of St Andrews, University College London and University of Warwick.

The awards were made following an open competition, launched in October 2012. Due to the number and high standard of applications, we were able to secure an additional £4 million to fund more centres than originally planned, taking the total amount awarded from the £15.5 million originally budgeted to a new total of £19.5 million (including support costs) over five years (£7.5 million from the Foundation, £7 million from the ESRC and £5 million from HEFCE).

To reach our goal of achieving a step-change in quantitative social science skills, we need to reach beyond the fifteen funded Q-Step Centres. To this end we are also developing Q-Step affiliate status for other Higher Education Institutions (HEIs) that are planning to develop and increase the quantitative skills training in their own undergraduate programmes and will in future years be reporting an active programme of outreach and a range of support activities.

Oliver Bird Rheumatism Programme

The Oliver Bird Rheumatism Programme was launched in 2003 and has a further year to run. Its aim is to build capacity in rheumatic disease research by developing a cohort of outstanding young research scientists funded

for postgraduate studies. In 2012/13, 23 students were in training, and 11 have obtained first postdoctoral appointments relating to their PhD topic.

In September, the programme's annual conference was hosted by the University of Glasgow and attended by current students and visiting alumni. The themes were: immune regulation; bone biology and matrix regulation; and pathogenesis to discovery.

We were delighted with the news that one of our first alumni, Dr Charis Pericleous, was awarded the prestigious Garrod Prize by The British Society for Rheumatology for her work in the field of Antiphospholipid (Sticky Blood) Syndrome and Lupus.

Africa Programme

In November we made our final contribution to the European Foundations Initiative on Neglected Tropical Diseases (EFINTD). We are one of five foundations that fund and administer EFINTD, which aims to strengthen research capacity in both biomedicine and public health aspects of diseases such as sleeping sickness, intestinal worms and river blindness. One of the main mechanisms for doing this is by funding fellowships for young African researchers in African research institutions.

The Africa Programme is under review and not currently open to new applications.

Nuffield Council on Bioethics

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

In 2013 the Council published reports on *Donor conception: ethical aspects of information sharing* and *Novel neurotechnologies: intervening in the brain*. Other projects underway in 2013 include one on the ethical issues arising from children taking part in clinical research, and another on the ethical issues that arise in relation to the linking, analysis and use of biological and health data. All these projects are reported on in full in the Council's own annual report available on its website, www.nuffieldbioethics.org.

Grants awarded during 2013

Name	Purpose	Value (£)	Term (m)
Social Policy: Children and Families			
Dr Lucie Cluver, Department of Social Policy and Intervention, University of Oxford	Pathways to survival: identifying psychosocial, family and service mechanisms to improve anti-retroviral adherence amongst HIV-positive adolescents in Southern Africa	583,287	36
Professor Jonathan Scourfield, Cardiff School of Social Sciences, Cardiff University	Children, young people and families using social work services in four UK cohort studies: patterns, outcomes and change	132,798	18
Dr Carol McNaughton Nicholls, National Centre for Social Research	Understanding the sexual exploitation of boys and young men in the UK: an exploratory study	97,346	22
Adrienne Burgess, Fatherhood Institute	Fathers in the UK: What do we know? What do we need to know?	79,824	11
Professor Paul Bywaters, Faculty of Business, Environment and Society, Coventry University	Deprivation and children's services' outcomes. What can mapping looked after children and children on child protection plans tell us?	44,772	9
Dr Karen Broadhurst Centre, for Applied Social Research, University of Manchester	Understanding the scale, pattern and implications of recurrent case proceedings for birth mothers and their children: a feasibility study	35,000	6
Penny Mansfield, One plus One	Edith Dominican Memorial Lecture 2014	20,000	3
		993,027	
	Other grants	27,488	
	Cancelled grants	(55,481)	
TOTAL: CHILDREN AND FAMILIES		965,034	

Name	Purpose	Value (£)	Term (m)
Social Policy: Law in Society			
Professor Phil Fennell, Cardiff Law School, Cardiff University	Personal welfare disputes in the court of protection	205,938	36
Dr Jane Mair, School of Law, University of Glasgow	Principles in practice: financial provision on divorce under the Family Law (Scotland) Act 1985	87,000	12
Joyce Plotnikoff, Lexicon Limited	Intermediaries for children and vulnerable adults: an account of their first decade	30,000	11
Margaret Doyle, Faculty of Law and Business, De Montfort University	Proposal for a mapping study of the use of informal resolution approaches by ombudsmen in the UK	26,900	7
		349,838	
	Other grants	4,449	
	Cancelled grants	(111,721)	
TOTAL: LAW IN SOCIETY		242,566	
Social Policy: Open Door			
Paul Johnson, Institute for Fiscal Studies	IFS Green Budget from 2014	300,000	48
Will Moy, Full Fact	Full Fact – tools for change	255,000	36
Chris Curry, Pensions Policy Institute	The impact of the Government's single- tier state pension reform	75,475	10
Laura Pepper, National Trust	Contribution to Nuffield Place appeal by the National Trust	50,000	12
Hetan Shah, The Royal Statistical Society	GetStats – statistical literacy for all	30,000	6
		710,475	
	Other grants	106,383	
	Cancelled grants	(47,116)	
TOTAL: OPEN DOOR		769,742	
TOTAL: SOCIAL POLICY		1,977,342	

Name	Purpose	Value (£)	Term (m)
Education			
Professor Sarah-Jayne, Blakemore Institute of Cognitive Neuroscience, UCL	When to teach what: are there sensitive periods for learning in adolescence?	205,387	24
Dr Dénes Szucs, Department of Psychology, University of Cambridge	Understanding the origins and experience of mathematics anxiety in primary and secondary school pupils	201,633	31
Ellen Greaves, Institute for Fiscal Studies	The costs and benefits of different teacher training routes: the recruitment, training and retention of trainee teachers in England	191,901	23
Geoff Wake, School of Education, University of Nottingham	Developing sustainable and scalable models for the professional learning of mathematics teachers	170,565	24
Professor Anna Vignoles, Faculty of Education, University of Cambridge	Not all graduates are equal: how earnings vary across graduates from different universities	163,601	18
Professor Judy Sebba, Department of Education, University of Oxford	The educational progress of looked after children in England: linking care and educational data	159,409	15
Dr John Vorhaus, National Research and Development Centre for Adult Literacy and Numeracy, Institute of Education	The impact of family literacy programmes on children's literacy skills and on literacy practices in the home	153,624	18
Professor Andrew Noyes, School of Education, University of Nottingham	Rethinking the value of advanced mathematics participation	148,984	28
Dr Ian Jones, Mathematics Education Centre, Loughborough University	Measuring conceptual understanding: the case of teaching with abstract and concrete representations	129,909	26
Dr Melanie Ehren, London Centre for Leadership in Learning, Institute of Education, University of London	The nature, prevalence and effectiveness of strategies used to prepare pupils for Key Stage 2 maths tests	128,876	41
Professor Emma Smith, School of Education, University of Leicester	The employment trajectories of Science Technology Engineering and Mathematics (STEM) graduates	46,214	19

Name	Purpose	Value (£)	Term (m)
Dr Clare Lyonette, Institute for Employment Research, University of Warwick	Tracking student mothers' higher education participation and early career outcomes over time: initial choices and aspirations, HE experiences and final career destinations	42,359	16
Professor Terence Russell, Centre for Lifelong Learning, University of Liverpool	Research to support understanding of Evolution and Inheritance in the National Curriculum KS1-2	32,000	12
Dr Ros McLellan, Faculty of Education, University of Cambridge	The Impact of transition on primary pupils' well-being	24,465	18
		1,798,927	
	Other grants	3,050	
	Cancelled grants	(36,510)	
TOTAL: EDUCATION		1,765,467	
Capacity Building: Undergraduate Research Bursaries			
Society of Biology		63,000	
Institute of Physics		50,000	
The Royal Academy of Engineering		25,600	
Royal Society of Chemistry		23,820	
London Mathematical Society		16,551	
		178,971	
	Other grants	15,391	
	Cancelled grants	(6,820)	
TOTAL: UNDERGRADUATE RESEARCH BURSARIES		187,542	

Name	Purpose	Value (£)	Term (m)
Capacity Building: Nuffield Research Placements			
	Grants awarded	310,034	
	Cancelled grants	(4,706)	
TOTAL: NUFFIELD RESEARCH PLACEMENTS		305,328	
Capacity Building: Q-step			
Professor Mike Tomlinson, School of Sociology, Social Policy and Social Work, Queen's University Belfast	Programme of activities to promote a step-change in undergraduate quantitative social science skills	1,546,663	60
Dr Alison Koslowski, School of Social and Political Science, University of Edinburgh	Programme of activities to promote a step-change in undergraduate quantitative social science skills	1,461,767	60
Professor Susan Banducci, Department of Politics, University of Exeter	Programme of activities to promote a step-change in undergraduate quantitative social science skills	1,442,450	60
Professor Gwilym Pryce, Department of Urban Studies, University of Glasgow	Programme of activities to promote a step-change in undergraduate quantitative social science skills	1,440,684	60
Dr Jackie Carter, School of Social Sciences, University of Manchester	Programme of activities to promote a step-change in undergraduate quantitative social science skills	1,423,121	60
Dr Emma Uprichard, Centre for Interdisciplinary Methodologies, University of Warwick	Programme of activities to promote a step-change in undergraduate quantitative social science skills	1,344,600	60
Dr Jennifer van Heerde-Hudson, Department of Political Science, University College London	Programme of activities to promote a step-change in undergraduate quantitative social science skills	1,339,769	60
Dr Richard Harris, School of Geographical Sciences, University of Bristol	Programme of activities to promote a step-change in undergraduate quantitative social science skills	1,307,425	60

Name	Purpose	Value (£)	Term (m)
Professor Catherine de Vries, Department of Politics and International Relations, University of Oxford	Programme of activities to promote a step-change in undergraduate quantitative social science skills	1,291,191	60
Professor Malcolm Williams, Cardiff School of Social Sciences, Cardiff University	Programme of activities to promote a step-change in undergraduate quantitative social science skills	1,290,770	60
Professor Charles Pattie, Department of Geography, University of Sheffield	Programme of activities to promote a step-change in undergraduate quantitative social science skills	1,285,328	60
Dr Ben Baumberg, School of Social Policy, Sociology and Social Research, University of Kent	Programme of activities to promote a step-change in undergraduate quantitative social science skills	1,159,200	60
Dr Julie Scott Jones, Department of Sociology, Manchester Metropolitan University	Programme of activities to promote a step-change in undergraduate quantitative social science skills	1,152,870	60
Dr Rachel Cohen, Department of Sociology, City University	Programme of activities to promote a step-change in undergraduate quantitative social science skills	897,449	60
Professor Stewart Fotheringham, School of Geography and Geosciences, University of St Andrews	Programme of activities to promote a step-change in undergraduate quantitative social science skills	812,565	60
TOTAL Q-STEP		19,195,852	

Name	Purpose	Value (£)	Term (m)
Capacity Building: Social Science Small Grants			
	Cancelled grants	(41,986)	
Capacity Building: New Career Development Fellowships			
	Supplementary grants	21,670	
Capacity Building: Africa Programme			
	Supplementary and other grants	312,907	
	Cancelled grants	(52,853)	
TOTAL: AFRICA PROGRAMME		260,054	
TOTAL: CAPACITY BUILDING		19,928,460	
TOTAL: GRANTS AWARDED		24,028,462	
TOTAL: GRANTS CANCELLED		(357,193)	
TOTAL: ALL PROGRAMMES		23,671,269	

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 Trust Deed details the objects of the Foundation, which include: the advancement of health; the advancement of social well-being; the advancement of education; the care and comfort of the aged poor; the relief of handicaps; the benefit of the Commonwealth and 'such other charitable purposes as shall be declared in writing by all the Trustees'.

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

Trustees

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

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

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

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

Organisational structure

The Foundation employs 33 staff, including 11 Nuffield Council on Bioethics staff. Although Nuffield Council on Bioethics staff are employed by the Foundation, the Council acts independently. A senior management team, comprising the Director, Finance Director, Director of Education and Director of Social Research and Policy is responsible for the management of the Foundation and for advising Trustees on strategic and operational matters. Trustees are responsible for grant-making decisions at meetings, although these may be delegated according to agreed procedures.

Risk management statement

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

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

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

Statement of grant-making policy

All grants made under our major grant programmes are peer reviewed by independent referees. Final decisions on these applications are made by Trustees. Grants made under Q-Step were peer reviewed by an international referee panel, with final decisions made by a selection committee of representatives from the three funding organisations. Nuffield Research Placements are awarded by a network of regional coordinators who operate under a service level agreement with the Foundation.

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

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

Financial Review

2013 set recent records for the Foundation, with our highest income (£17m), our biggest expenditure (£30.9m), and our largest net asset value (£261m) for some time. Our investment portfolio returned 16%. There were three drivers for these record numbers:

- The launch of the Q-Step programme (see page 16), the income (£12.0m) and costs (£19.2m) of which are reflected only in the year of award in our account.
- Our decision to exit from the Growth Plan of the Pensions Trust (£2.3m) in order to protect the Foundation from an unquantifiable liability.
- An under-spend on our regular grant-making activities resulting in a £4 million expenditure reserve at the year end, which we will use to fund future work.

Table 1 summarises these activities and separates non-recurring from recurring spending.

Our income and expenditure will return to normal in 2014, at approximately £5m and £10 million respectively, with the balance being funded by a total return approach based on long term capital appreciation.

Investment management and governance

Investment performance for the periods ending 31 December 2013 is summarised in Table 2. Performance was satisfactory, although some way behind its benchmark due to the differing reporting cycle of private equity assets. In 2013 global equities returned 21.1% and private equity made 'only' 11%.

Table 1 | Recurring and non-recurring expenditure

	Q-Step	Pensions	Items	Total
External Income	12.0	0.0	0.7	12.7
Endowment Distribution*	0.0	0.0	10.5	10.5
TOTAL	12.0	0.0	11.2	23.2
Expenditure				
Grants	19.2	0.0	4.5	23.7
Direct & Support	0.0	0.0	4.9	4.9
Pensions Exit	0.0	2.3	0.0	2.3
TOTAL	19.2	2.3	9.4	30.9
Surplus/deficit	(7.2)	(2.3)	1.8	(7.7)

*Includes £6m of Capital Transferred to Income

Table 2 | Investment performance

Total Returns (%)	1 Year	3 Years	5 years
Nuffield Foundation (gross of fees)	16.9	8.9	11.5
Bespoke Benchmark (gross of fees)	24.4	10.4	12.4
WM Total Charities (gross of fees)	14.7	7.4	10.6
Key			
Nuffield Foundation	Actual performance		
Bespoke Benchmark	90% MSCI WI; 10% UK 15 year Gilts		
WM Total Charities	Weighted average, including property		

Accounting for total returns and reserves policy

Our intention is to produce a consistent and sustainable amount for expenditure and to maintain (at least) the purchasing power of the endowment over the long term. Since 2009 our policy, advised by the Investment Committee in the light of our current asset distribution, has been to distribute 4.5% of the trailing twelve-quarter average market value of the Foundation's investments based on values at 30 June of the previous year. This policy was revised in 2013 and for the 2014 budget and beyond the Foundation will maintain its existing budget in real terms, so long as assets do not fall below a set floor.

Our reserves policy is driven by two components. The first is to keep the unrestricted general funds which form part of the expenditure reserve between -£2m and +£2m to allow for under-spending or over-spending from year to year. On 31 December 2013 this reserve was above this range at £4.0m (2012: £4.1m) and we will continue to explore spending opportunities to bring it back within range. The restricted expenditure reserve continues to be negative, and will remain so until 2014, the result of absorbing the full costs of five-year grants made by the Oliver Bird Fund in 2008 where annual income is used to replenish the reserve, and by our

Table 3 | Reserves position

£000s	Lower Limit	31/12/2013 Actual	Upper Limit
Core endowment			
'Preserved Value' at 31 Dec. 2003		188,311	
Allowance for inflation		62,213	
Target Value at 31 December 2013		250,524	
Allowance for market volatility		13,353	
ENDOWMENT TOTAL	207,828	263,877	287,001
Expenditure reserve			
Restricted		(795)	
Designated		(6,056)	
Unrestricted	(2,000)	3,976	2,000
TOTAL FUNDS		261,002	

decision to invest in a number of opportunities under the Commonwealth Relations Trust 'Africa programme' in advance of income being received. During the year we set up a Designated Fund to manage the Foundation's £7.5m contribution to Q-Step, which will also be funded from future income. The deficit (and the fund itself) will be extinguished within five years through transfers from the general expenditure reserve.

The second part of our policy reflects how we seek to preserve the endowment's value. The 'core endowment' represents the part of the assets we seek to maintain in real terms. It is based on the value of the endowments on 31 December 2003 together with an allowance for subsequent inflation, and is referred to in Table 3 as the 'target value at 31 December 2013'. If the value of the endowment is more than the target value we deem that it has been preserved in real terms; if smaller it has not. We expect our portfolio to be volatile in a normal range of plus or minus 16%; setting these upper and lower ranges enables us to identify when the endowment has drifted too far from its target value. If this happened, we would conduct a review of the distribution rate. The 'allowance for market volatility' simply reconciles the target value with the value of the endowment shown on the balance sheet. At 31 December 2013 the market value of the endowment total represented 105% of its target value (2012: 95%), suggesting that the Foundation's finances, at the end of 2013 at least, are still on an even keel. This is shown in the table on the previous page.

Statement of Trustees' responsibilities

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

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

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

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

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

Approved by the Trustees on 9 May 2014 and signed on their behalf by



Professor David Rhind
Chairman

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

We have audited the financial statements of The Nuffield Foundation for the year ended 31 December 2013 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of Trustees and auditor

As explained more fully in the Statement of Trustees' Responsibilities, the Trustees are responsible for the preparation of financial statements which give a true and fair view.

We have been appointed as auditor under section 144 of the Charities Act 2011 and report in accordance with regulations made under section 154 of that Act. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the charity's affairs as at 31 December 2013, and of its incoming resources and application of resources, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities Act 2011.

Matters on which we are required to report by exception

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

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



BDO LLP, Statutory Auditor, Gatwick, United Kingdom.
Date: 12 May 2014

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

Financial statements

Statement of financial activities

	Note	Unrestricted Funds	Restricted Funds	Endowed Funds	Total 2013	Total 2012
		£000s	£000s	£000s	£000s	£000s
INCOMING RESOURCES						
Incoming resources from generated funds						
Voluntary income	2	116	12,591	–	12,707	826
Activities for generating funds		49	–	–	49	68
Other income		6	–	–	6	30
Investment income	6	4,003	287	180	4,470	4,009
Total incoming resources		4,174	12,878	180	17,232	4,933
Capital transferred to income	11	5,233	792	(6,025)	–	–
TOTAL RESOURCES AVAILABLE		9,407	13,670	(5,845)	17,232	4,933
RESOURCES EXPENDED						
Costs of generating funds						
Investment management costs		–	–	1,543	1,543	1,605
Charitable activities						
Social Policy		1,700	583	–	2,283	2,918
Education		2,147	112	–	2,259	2,416
Capacity Building		8,523	12,543	–	21,066	1,742
Nuffield Council on Bioethics		838	506	–	1,344	1,283
Pension Scheme exit		2,272	–	–	2,272	–
		15,480	13,744	–	29,224	8,359
Governance		108	–	–	108	100
TOTAL RESOURCES EXPENDED	3	15,588	13,744	1,543	30,875	10,064
NET OUTGOING RESOURCES AFTER TRANSFERS						
		(6,181)	(74)	(7,388)	(13,643)	(5,131)
Net gain on functional assets	5	–	–	–	–	1,322
Net gain on investment assets	6	–	–	36,804	36,804	21,986
		–	–	36,804	36,804	23,308
Fund balances brought forward at 1 January		4,101	(721)	234,461	237,841	219,664
FUND BALANCES CARRIED FORWARD AT 31 DECEMBER	11	(2,080)	(795)	263,877	261,002	237,841

The Net Outgoing Resources before Transfers during the year were £11,414k for unrestricted funds, £866k for restricted funds and £1,363k for the endowed funds. Notes 1–11 form part of these Financial Statements.

Balance sheet

		2013	2012
			£000s
FIXED ASSETS			
Tangible fixed assets	5	4,328	4,348
Investments	6	275,357	244,802
Programme related investments	6	100	100
		279,785	249,250
CURRENT ASSETS			
Debtors	7	9,582	827
Bank and cash		1,068	653
		10,650	1,480
LIABILITIES: AMOUNTS FALLING DUE WITHIN ONE YEAR			
Provision for grants payable	8	(4,290)	(8,170)
Creditors	9	(598)	(2,660)
		(4,888)	(10,830)
NET CURRENT ASSETS/(LIABILITIES)		5,762	(9,350)
LIABILITIES FALLING DUE AFTER ONE YEAR			
Provision for grants payable	8	(24,545)	(2,059)
NET ASSETS		261,002	237,841
FUNDS			
Unrestricted funds		(2,080)	4,101
Restricted funds		(795)	(721)
Endowed funds	11	263,877	234,461
TOTAL FUNDS		11	261,002
		261,002	237,841

Notes 1–11 form part of these Financial Statements

These financial statements were approved by the Trustees on 9 May 2014 and were signed on their behalf by:

David Rhind

Professor David Rhind
Chairman

Cash flow statement

	2013 £000s	2012 £000s
OPERATING ACTIVITIES		
Net cash outflow from operating activities	(5,801)	(4,186)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		
Payments to acquire tangible fixed assets	(33)	(31)
Disinvestment from investment portfolio	6,249	4,819
	6,216	4,788
INCREASE IN CASH DURING THE YEAR	415	602
ANALYSIS OF CHANGES IN NET CASH DURING THE YEAR		
<i>Cash at bank and in hand</i>		
At 1 January	653	51
At 31 December	1,068	653
<i>(Decrease)/increase in cash during the year</i>	415	602
RECONCILIATION OF NET OUTGOING RESOURCES TO NET CASHFLOW FROM OPERATING ACTIVITIES		
Net outgoing resources for the year	(13,643)	(5,131)
Depreciation	53	64
MOVEMENT IN CURRENT ASSETS/LIABILITIES:		
Increase in grant commitments	18,606	(1,065)
Increase/(decrease) in creditors	(2,062)	2,161
(Increase)/decrease in debtors	(8,755)	(215)
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	(5,801)	(4,186)

Notes 1–11 form part of these Financial Statements

Notes to the financial statements

1. Principal accounting policies

a. Basis of accounting

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

b. Income

Investment income represents dividends and interest on fixed investments and deposits, with any associated tax credits or recoverable taxation, which are included on an accruals basis. Investment income and other gains (or losses) are allocated to the individual funds in proportion to their holding in the Common Investment Fund at the beginning of the year.

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

c. Expenditure

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

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

Grants are charged to the Statement of Financial Activities when allocations are approved by the Trustees and promised to the recipient, less any awards cancelled or refunded. Grants which are awarded subject to conditions are included as expenditure at the point at which the Trustees

agree that they no longer have control over the fulfilment of the condition.

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

d. Basis of allocation of costs

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

e. Investments

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

f. Taxation

The Foundation is a charity within the meaning of Paragraph 1 Schedule 6 Finance Act 2010. Accordingly the charity is potentially exempt from taxation in respect of income or capital gains within categories covered by Chapter 3 of Part 11 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes. No tax charge arose in the period.

g. Exchange gains and losses

All realised and unrealised exchange gains and losses on investments are accounted for in the Statement of Financial Activities. Foreign currency investments are valued at their year-end market value translated into sterling at the year-end exchange rate or at the contract rate where foreign currency investments are subject to an underlying hedge.

h. Fixed assets

The property at 28 Bedford Square together with certain furnishings is stated at market value as determined by Trustees. Leasehold properties are stated at market value plus subsequent additions at cost and are not depreciated as they are maintained to a high standard, such that their residual values are estimated to be not less than the book values and any depreciation would not be material. Art and Antiques are based on a frozen valuation (in accordance with the transitional provisions of FRS 15 'Accounting for fixed assets') made by Phillips in March 1999. Other fixed assets are stated at cost less depreciation. Assets over a value of £5,000 are capitalised. Depreciation has been calculated at the following annual rates, in order to write off each asset over its estimated useful life.

Equipment, fixtures and fittings – 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 7 February 2006. The power permits the Trustees to invest permanent endowments to maximise total return and to make available an appropriate portion of the total return for expenditure each year. Until this power

is exercised the total return shall be an 'unapplied total return' and remain as part of the permanent endowment. The Trustees have decided that it is in the interests of the Foundation to present its expendable endowment in the same manner, although there is no legal restriction on the power to distribute the expendable endowment.

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

j. Fund accounting

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

2. Incoming resources from generated funds

	2013 £000s	2012 £000s
VOLUNTARY INCOME		
<hr/>		
Grants received in support of:		
Q-Step Programme	12,000	–
Nuffield Council on Bioethics	470	547
Nuffield Research Placements	121	167
Other restricted activities	–	112
Other restricted activities	116	–
	<hr/> 12,707	<hr/> 826
ACTIVITIES FOR GENERATING FUNDS		
<hr/>		
Sales, Royalties and Fee income	49	68

3. Resources expended

	Direct costs		Support Costs	Total 2013	Total 2012
	Grants	Other			
	£000s	£000s	£000s	£000s	£000s
COST OF GENERATING FUNDS					
Investment management	–	1,543	–	1,543	1,605
CHARITABLE EXPENDITURE					
SOCIAL POLICY					
Children and Families	965	76	43	1,084	1,173
Law in Society	242	34	21	297	390
Open Door*	770	79	53	902	1,355
	1,977	189	117	2,283	2,918
EDUCATION	1,765	334	160	2,259	2,416
CAPACITY BUILDING					
Undergraduate Research Bursaries	188	–	–	188	375
Nuffield Research Placements	305	630	160	1,095	960
Africa Programme	260	33	21	314	90
Oliver Bird Rheumatism Programme	–	55	53	108	349
Q-Step	19,196	110	75	19,381	49
Closed programmes	(20)	–	–	(20)	(81)
	19,929	828	309	21,066	1,742
NUFFIELD COUNCIL ON BIOETHICS	–	758	586	1,344	1,283
PENSIONS SCHEME EXIT	–	2,272	–	2,272	–
GOVERNANCE COSTS					
Audit fee	–	23	–	23	25
Trustees' remuneration	–	69	–	69	57
Trustees' expenses	–	10	–	10	13
Legal Fees	–	6	–	6	5
	–	108	–	108	100
TOTAL CHARITABLE EXPENDITURE	23,671	4,489	1,172	29,332	8,459
TOTAL RESOURCES EXPENDED	23,671	6,032	1,172	30,875	10,064

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

The Pensions Trust

During the year the Foundation terminated its relationship with the Growth Plan pension scheme run by the Pensions Trust. It completed this transaction by making a single payment of £3,120,346 in return for a binding recognition from the trustee of the Pensions Trust of the discharge of any liability and an undertaking to indemnify the Trustees against overpayment of the Cessation Debt: if section 29 of the Pensions Act 2011 is brought into force with retrospective effect

the amount payable on exit by the Foundation to the Pensions Trust is likely to be £2,264,060. The advice that the Foundation has received is that it is expected that section 29 will be brought into force in due course, and as a result the Trustees recognise £2,264,060 as an expense, together with associated cost of exit of £7,800 in these accounts and the balance of £856,286 as a Debtor. This expense has not been treated as a Support Cost since it would be inappropriate to allocate these historic costs against current programmes.

4. Personnel costs and related party transactions

	2013	2012
	£000s	£000s
Wages and salaries	1,735	1,875
Social security costs	188	201
Other pension contributions	207	210
	2,130	2,286

AVERAGE FULL TIME EQUIVALENT NUMBER OF STAFF EMPLOYED IN YEAR:

Grant making	10	10
Science and Maths and other publications	1	5
Nuffield Council on Bioethics	11	12
Support services	11	9
	33	36

REMUNERATION OF HIGHER PAID STAFF

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

Employer's pension contributions for higher paid staff were in total £52,707.

The Nuffield Foundation paid contributions during the accounting period at a rate of £2.20 for every £1 of member contributions up to a maximum of 5 times the member contribution, together with an additional flat rate sum regardless of contribution of £1,080 per employee.

Related Party Transactions

During the year four grants worth in total £514,114 were made to the Institute of Fiscal Studies, and a further grant of £163,601 was made to the Faculty of Education, University of Cambridge, for which IFS will provide analysis. Professor James Banks, a Trustee, is the Deputy Research Director at the Institute of Fiscal Studies so is a Related Party to these transactions. A grant of £159,409 was also made to Professor Judy

Sebba, a Fellow of Green Templeton College, University of Oxford. Professor Sir David Watson, a Trustee, is Principal of Green Templeton College and so is a Related Party to that transaction.

Neither Trustee took any part in the decision where they may have had an interest, nor was involved in any way in the handling of the relevant applications. The Trustees as a body recognise the importance of wide and open disclosure of Conflicts of Interest, which they interpret more broadly than the SORP definitions of Related Party Transactions.

Each Trustee is entitled to an annual allowance by virtue of the provisions of the Trust Deed. This is currently £9,528 per annum. During the year three Trustees claimed re-imbursment of travel and subsistence expenses (2012: three).

There were no other related party transactions.

5. Tangible fixed assets

	Leasehold Property	Other assets	Total
	£000s	£000s	£000s
Cost or valuation			
At 1 January	4,200	365	4,565
Additions	–	33	33
Disposals	–	(80)	(80)
Revaluations	–	–	–
At 31 December	4,200	318	4,518
Depreciation and amortisation			
At 1 January	–	217	217
Charge for year	–	53	53
Revaluation	–	–	–
Disposals	–	(80)	(80)
At 31 December	–	190	190
Net book value			
At 31 December	4,200	128	4,328
At 1 January	4,200	148	4,348

All tangible fixed assets are held for continuing use in the Foundation's activities. The depreciated historic cost of the leasehold property is £1,203k. The lease expires on 24 December 2084 and was revalued in 2012 by the Trustees of the Foundation.

6. Investments

a) Investments at market value

	2013	2012
	£000s	£000s
Market Value at 1 January	244,802	227,635
Net disinvestment from portfolio	(6,249)	(4,819)
Realised and unrealised gains/(losses)	36,804	21,986
Market Value at 31 December	275,357	244,802
Historic cost of listed investments at 31 December	225,719	214,741

b) Disposition of investments

	2013	2012
	£000s	£000s
Listed Equities	172,444	157,728
Fixed Income	30,331	22,418
Private Equity	66,011	60,939
Currency Hedging	2,344	558
Cash	4,227	3,159
TOTAL	275,357	244,802
Total UK investments	71,323	58,036
Total overseas investments	204,034	186,766
TOTAL	275,357	244,802

c) Income from investments

	2013	2012
	£000s	£000s
Global Equities	2,737	2,846
UK Property Unit Trusts	–	–
UK Government Bonds	925	786
Private Equity	808	370
Cash	–	7
	4,470	4,009

d) Illiquid assets and investment commitments

At the year end the Foundation had undrawn commitments to Private Equity funds of £17,963,979 which are expected to be called at various dates between 2014 and 2022. Over a similar period the current investments in Private Equity funds are expected to be realised by a return of capital. The carrying value of the Private Equity investments of £66,011,237 reported above represents the latest valuations of the funds at or prior to 31 December 2013 as provided by the relevant fund managers. However, it is not possible for the Trustees to liquidate these investments prior to the future return of capital.

e) Currency hedging

At 31 December 2013 the charity had open forward exchange contracts to sell US dollars, Yen and Euros with a total sterling value of £58,727,034. The settlement date for all of these contracts was 19 March 2014. These contracts were entered into to reduce the charity's currency risk following the greater global diversification of its investment holdings.

f) Investments over 5% of the portfolio

	2013	2012
	£000s	£000s
Aberdeen Asia Pacific & Japan Fund	–	13,311
Veritas Global Equity Fund	41,094	34,583

g) Programme related investments

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

7. Debtors and prepayments

	2013	2012
	£000s	£000s
Accrued Income	432	374
Other debtors	9,150	453
	9,582	827
Contingent assets (potentially recoverable grants)	–	3

8. Grants payable

a) Grants payable

	2013	2012
	£000s	£000s
Grants awarded but not paid at 1 January	10,229	11,294
Grants awarded in the year	24,028	5,532
Grants cancelled in the year	(357)	(575)
Grants paid in the year	(5,065)	(6,022)
Grants awarded but not paid at 31 December	28,835	10,229
Payable within one year	4,290	8,170
Payable after one year	24,545	2,059
	28,835	10,229

b) Analysis of grants awarded

	2013	2012
	£000s	£000s
Awarded to individuals	–	–
Awarded to institutions	24,028	5,532
	24,028	5,532

Five largest contributions

	2013
	£000s
University of Oxford	3,072
University College London	2,698
University of Edinburgh	2,075
University of Warwick	1,822
University of Glasgow	1,763

9. Creditors: amounts falling due within one year

	2013	2012
	£000s	£000s
Income Tax and National Insurance	51	59
Accruals	263	284
Other creditors	150	86
Deferred Income	134	2,231
	<u>598</u>	<u>2,660</u>

10. Statement of Total Return

Calculation of Total Return

	Permanent Endowments	Expendable Endowments	Total
	£000s	£000s	£000s
Investment Return			
Investment income	180	4,290	4,470
Capital Gains			
Investments	1,482	35,322	36,804
Investment Management costs	(62)	(1,481)	(1,543)
TOTAL RETURN FOR YEAR	1,600	38,131	39,731
Less Application of Return	(415)	(9,900)	(10,315)
Net Total Return for the year	1,185	28,231	29,416
Unapplied Total Return			
at 1 January 2013	1,814	43,014	44,828
At 31 December 2013	2,999	71,245	74,244
'Preserved Value' at 31 December 2003	7,581	180,730	188,311

The 'Preserved Value' (the Unapplied Total Return) was set by Trustees based on the value of the endowment at 31 December 2003.

11. Funds

a) Description of funds

- The Elizabeth Nuffield Educational Fund was a gift from the wife of Lord Nuffield for the advancement of education and in particular the award of scholarships, grants or loans to women and girls who require financial assistance. It is used to fund the Education grant programme. Unspent income is restricted to this purpose.
- The Commonwealth Relations Trust was created for the purposes of promoting a common understanding between the unity of ideals in the United Kingdom and the other members of the British Commonwealth of Nations. It is used to fund the Africa programme. Unspent income is restricted to this purpose.
- The Oliver Bird Fund was given by Captain Bird for research into the prevention and cure of rheumatism. It is used to fund the Rheumatism grant programme. Unspent income is restricted to this purpose.
- The Main Fund includes Lord Nuffield's original endowment and the Auxiliary Fund, together with a number of subsequent gifts including the Ada Newitt bequest and the Albert Leslie Stewart Bequest (both subsumed into this fund in 2003). This fund was known as the 'Auxiliary Fund' prior to 2004; the change was made following the modification of the Trust Deed in 2003.
- A Designated Fund for the Q-Step initiative has been created to isolate the Foundation's contribution to Q-Step that is to be funded from future income. The deficit in the fund will be extinguished by five annual transfers from Unrestricted General Fund.
- 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	Movement in Resources				Balance at
	1 January 2013	Incoming Resources	Outgoing Resources	Unrealised Gain	Transfers	31 December 2013
	£000s	£000s	£000s	£000s	£000s	£000s
Capital Funds						
Endowments						
Permanent Endowment						
Elizabeth Nuffield Fund	2,017	39	(13)	318	(89)	2,272
Commonwealth Relations Trust	7,378	141	(49)	1,164	(326)	8,308
	9,395	180	(62)	1,482	(415)	10,580
Expendable Endowments						
Oliver Bird Fund	14,956	–	(99)	2,361	(375)	16,843
Main Fund	210,110	–	(1,382)	32,961	(5,235)	236,454
	225,066	–	(1,481)	35,322	(5,610)	253,297
TOTAL ENDOWED FUNDS	234,461	180	(1,543)	36,804	(6,025)	263,877
Expenditure Reserve						
Restricted Funds						
Elizabeth Nuffield Fund	–	–	(89)	–	89	–
Commonwealth Relations Trust	(58)	–	(898)	–	326	(630)
Oliver Bird Fund	(719)	287	(108)	–	375	(165)
Q-Step	–	12,000	(12,000)	–	–	–
Other Restricted Funds	56	591	(649)	–	2	–
	(721)	12,878	(13,744)	–	792	(795)
Unrestricted Funds						
Designated Fund: Q-Step	–	–	(7,306)	–	1,250	(6,056)
General Fund	4,101	4,174	(8,282)	–	3,983	3,976
	4,101	4,174	(15,588)	–	5,233	(2,080)
Total Expenditure Reserve	3,380	17,052	(29,332)	–	6,025	(2,875)
TOTAL FUNDS	237,841	17,232	(30,875)	36,804	–	261,002

c) Analysis of funds

	Unrestricted Funds	Restricted Funds	Expendable Endowment	Permanent Endowment	Total
	£000s	£000s	£000s	£000s	£000s
Investments	–	–	264,777	10,580	275,357
Other fixed assets	–	–	4,428	–	4,428
Net current assets (liabilities)	(2,080)	(795)	8,637	–	5,762
Liabilities due in over one year	–	–	(24,545)	–	(24,545)
TOTAL FUNDS	(2,080)	(795)	253,297	10,580	261,002

Summary of financial objectives and investment strategy

Objectives

1. Financial objective

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

2. Capital maintenance

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

3. Distribution rate

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

Investment principles

4. Decision-making & 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%	
Total Real Assets	90%	
Nominal assets	10%	8%–12%
TOTAL ASSETS	100%	

8. Principal benchmarks

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

9. Manager structure and benchmarks

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

Asset Class	Benchmark	Target
Total Equities	MSCI WI	+ 2%
Private Assets	MSCI ACWI	+ 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 1 April 2003
Last revision: 2013.

